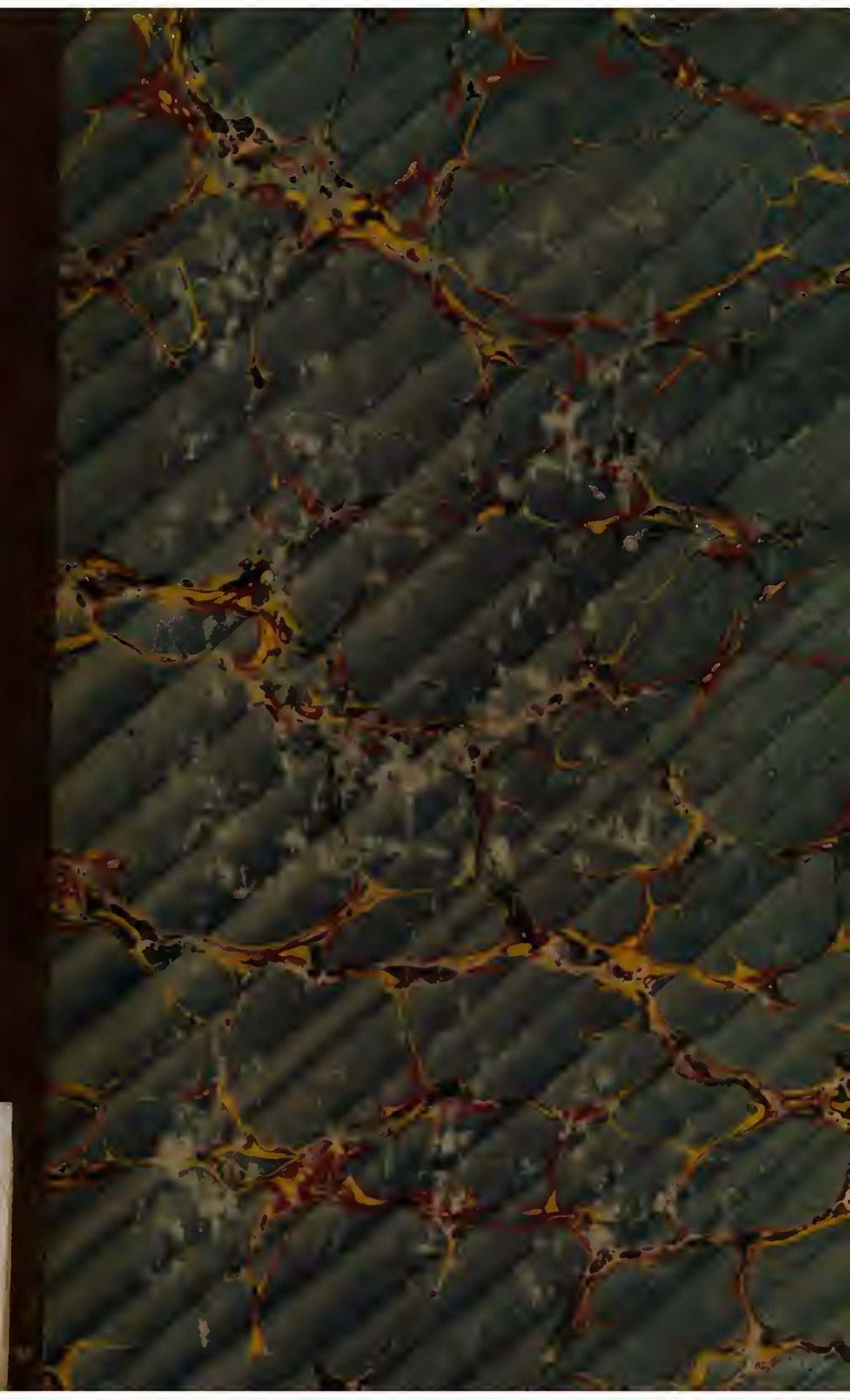

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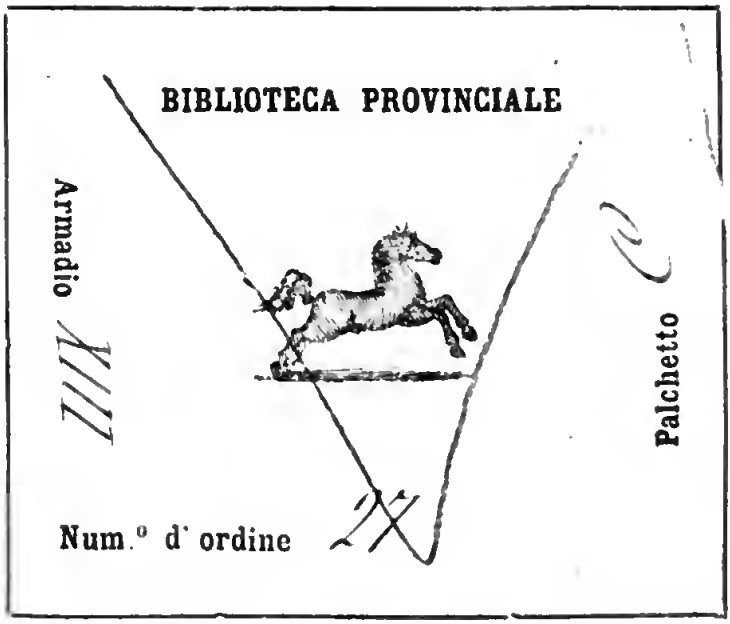

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AN INQUIRY

INTO THE

PRINCIPLES

OF

POLITICAL ECONOMY.

BEING AN

ESSAY ON THE SCIENCE

OF

Domeſtic Policy in Free Nations.

IN WHICH ARE PARTICULARLY CONSIDERED

POPULATION, AGRICULTURE, TRADE, INDUSTRY, MONEY, COIN, INTEREST, CIRCULATION, BANKS, EXCHANGE, PUBLIC CREDIT, AND TAXES.

By Sir JAMES STEUART, Bart.

Ore trahit quodcumque poteſt atque addit acervo.
Hor. Lib. 1. Sat.

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AN

AN INQUIRY
INTO THE
PRINCIPLES
OF
POLITICAL ECONOMY.

BOOK II.
OF TRADE AND INDUSTRY.

CHAP. XV.

A general View of the Principles to be attended to by a Stateſman, who reſolves to eſtabliſh Trade and Induſtry upon a laſting footing.

THE two preceding chapters I have introduced purpoſely to ſerve as a relaxation to the mind, like a farce between the acts of a ſerious opera. I now return to the place where I broke off my ſubject, at the end of the twelfth chapter.

It is a great aſſiſtance to memory, now and then to aſſemble our ideas, after certain intervals, in going through an extenſive ſubject. No part of it can be treated of with diſtinctneſs, without baniſhing combinations; and no part of it can be applied to

practice, or adapted to any plan, without attending to combinations almoſt infinite.

For this reaſon nothing can appear more inconſiſtent than the ſpirit which runs through ſome parts of this book, if compared with that which prevailed in the firſt. *There* luxury was looked on with a favorable eye, and every augmentation of ſuperfluity was conſidered as a method of advancing population. We were then employed in drawing mankind, as it were, out of a ſtate of idleneſs, in order to increaſe their numbers, and engage them to cultivate the earth. We had no occaſion to divide them into ſocieties having ſeparate intereſts, becauſe the principles we treated of were common to all. We therefore conſidered the induſtrious, who are the providers, and the luxurious, who are the conſumers, as children of the ſame family, and as being under the care of the ſame father.

We are now engaged in a more complex operation; we repreſent different ſocieties, animated with a different ſpirit; ſome given to induſtry and frugality, others to diſſipation and luxury. This creates ſeparate intereſts among nations, and every one muſt be ſuppoſed under the government of a ſtateſman; who is wholly taken up in advancing the good of thoſe he governs, though at the expenſe of other ſocieties which lie round him.

This preſents a new idea, and gives birth to new principles. The general ſociety of mankind treated of in the firſt book, is here in a manner divided into two. The induſtrious providers are ſuppoſed to live in one country, the luxurious conſumers in

another. The principles of the firſt book remain here in full vigor. Luxury ſtill tends as much as ever to the advancement of induſtry; the ſtateſman's buſineſs is only to remove the ſeat of it from his own country. When that can be accompliſhed without detriment to induſtry at home, he has an opportunity of joining all the advantages of ancient ſimplicity, to the wealth and power which attend upon the luxury of modern ſtates. He may preſerve his people in ſobriety and moderation as to every expenſe, as to every conſumption, and make them enjoy, at the ſame time, riches and ſuperiority over all their neighbours.

Such would be the ſtate of trading nations, were they only employed in ſupplying the wants or extravagant conſumption of ſtrangers; and did they not inſenſibly adopt the very manners with which they ſtrive to inſpire others.

As often, therefore, as we ſuppoſe a people applying themſelves to the advancement of foreign trade, we muſt ſimplify our ideas, by diſmiſſing all political combinations of other circumſtances; that is to ſay, we muſt ſuppoſe the ſpirit univerſal, and then point out the principles which influence the ſucceſs of it.

We muſt encourage economy, frugality, and a ſimplicity of manners, diſcourage the conſumption of every thing that can be ſold out of the country, and excite a taſte for ſuperfluity in neighbouring nations. When ſuch a ſyſtem can no more be ſupported to its full extent, by the ſcale of foreign demand becoming poſitively lighter; then in order to ſet the balance even again, without taking any thing out of the

heavy ſcale, and to preſerve and give bread to thoſe who have enriched the ſtate, an additional home conſumption, proportioned to the deficiency of foreign demand, muſt be encouraged. For were the ſame ſimplicity of manners ſtill kept up, the infallible conſequence would be a forced reſtitution of the balance, by the diſtreſs, miſery, and at laſt extinction of the ſupernumerary workmen.

I muſt therefore, upon ſuch occaſions, conſider the introduction of luxury, or ſuperfluous conſumption, as a rational and moral conſequence of the deficiency of foreign trade.

I am, however, far from thinking that the luxury of every modern ſtate, is only in proportion to ſuch failure; and I readily admit, that many examples may be produced where the progreſs of luxury, and the domeſtic competitions with ſtrangers who come to market, have been the cauſe both of the decline and extinction of their foreign trade; but as my buſineſs is chiefly to point out principles, and to ſhow their effects, it is ſufficient to obſerve, that in proportion as foreign trade declines, either a proportional augmentation upon home conſumption muſt take place, or a number of the induſtrious, proportioned to the diminution of former conſumption, muſt decreaſe. By the firſt, what I call a natural reſtitution of the balance is brought about, from the principles above deduced; by the ſecond, what I call a forced one.

Here then is an example, where the introduction of luxury may be a rational and prudent ſtep of adminiſtration; and as long as the progreſs of it is not

accelerated from any other principle, but that of preſerving the induſtrious, by giving them employment, the ſame ſpirit, under the direction of an able ſtateſman, will ſoon throw induſtry into a new channel, better calculated for reviving foreign trade and for promoting the public good, by ſubſtituting the call of foreigners in place of that of domeſtic luxury.

I hope, from what I have ſaid, the political effects of luxury, or the conſumption of ſuperfluity, are ſufficiently underſtood. Theſe I have hitherto conſidered as advantageous only to thoſe claſſes who are made to ſubſiſt by them; I reſerve for another occaſion the pointing out how they influence the impoſition of taxes, and how the abuſe of conſumption in the rich may affect the proſperity of a ſtate.

So ſoon as all foreign trade comes to a ſtop, without a ſcheme for recalling it, and that domeſtic conſumption has filled up its place in conſuming the work, and giving bread to the induſtrious, we find ourſelves obliged to reaſon again upon the principles of the firſt book. The ſtateſman has once more both the producers and the conſumers under his care. The conſumers can live without employment, the producers cannot. The firſt ſeldom have occaſion for the ſtateſman's protection; the laſt conſtantly ſtand in need of it. There is a perpetual fluctuation in the balance between theſe two claſſes, from which a multitude of new principles ariſe; and theſe render the adminiſtration of government infinitely more difficult, and require ſuperior talents in the perſon who is at the helm. I ſhall here only point out two

moſt ſtriking effects of the fluctuation and overturn of this new balance, which in the ſubſequent chapters ſhall be more fully illuſtrated.

1*mo.* In proportion as the conſumers become extravagant, the producers become wealthy; and when the former become bankrupts, the latter fill their place.

2*do.* As the former become frugal and economical, the latter languiſh; when thoſe begin to hoard, and to adopt a ſimple life, theſe are extinguiſhed: all extremes are vicious.

3*tio.* If the produce of induſtry conſumed in a country, ſurpaſs the income of thoſe who do not work, the balance due by the conſumers muſt be paid to the ſuppliers by a proportional alienation of their funds. This vibration of the balance, gives a very correct idea of what is meant by *relative profit and loſs.* The nation here loſes nothing by the change produced.

4*to.* When, on the other hand, the annual produce of induſtry conſumed in a country, does not amount to the value of the income of thoſe who do not work, the balance of income ſaved, muſt either be locked up in cheſts, made into plate, lent to foreigners, or fairly exported as the price of foreign conſumption.

5*to.* The ſcales ſtand even when there is no balance on either ſide; that is, when the domeſtic conſumption is juſt equivalent to the annual income of the funds. I do not pretend to decide at preſent whether this exact equilibrium marks the ſtate of perfection in a country where there is no foreign

trade, (of which we are now treating) or whether it be better to have ſmall vibrations between the two ſcales; but I think I may ſay, that all ſubverſions of the balance on either ſide cannot fail to be hurtful, and therefore ſhould be prevented.

Let this ſuffice at preſent, upon a ſubject which ſhall be more fully treated of afterwards. Let us now fix our attention upon the intereſts of a people entirely taken up in the proſecution of foreign trade. So long as this ſpirit prevails, I ſay, it is the duty of a ſtateſman to encourage frugality, ſobriety, and an application to labor in his own people, and to excite in foreign nations a taſte for ſuperfluities as much as poſſible.

While a people are occupied in the proſecution of foreign trade, the mutual relations between the individuals of the ſtate, will not be ſo intimate as when the producers and conſumers live in the ſame ſociety; ſuch trade implies, and even neceſſarily creates a chain of foreign dependencies; which work the ſame effect, as when the mutual dependence ſubſiſted among the citizens. Now the uſe of dependencies, I have ſaid, is to form a band of ſociety, capable of making the neceſſitous ſubſiſt out of the ſuperfluities of the rich, and to keep mankind in peace and harmony with one another.

Trade, therefore, and foreign communications, form a new kind of ſociety among nations; and conſequently render the occupation of a ſtateſman more complex. He muſt, as before, be attentive to provide food, other neceſſaries and employment for all his people; but as the foreign connexions

make theſe very circumſtances depend upon the entertaining a good correſpondence with neighbouring nations, he muſt acquire a proper knowledge of their domeſtic ſituation, ſo as to reconcile, as much as may be, the intereſts of both parties, by engaging the ſtrangers to furniſh articles of the firſt neceſſity, when the precious metals cannot be procured; and to accept, in return, the moſt conſumable ſuperfluities which induſtry can invent. And, laſt of all, he muſt inſpire his own people with a ſpirit of emulation in the exerciſe of frugality, temperance, economy, and an application to labor and ingenuity. If this ſpirit of emulation is not kept up, another will take place; for emulation is inſeparable from the nature of man; and if the citizens are not made to vie with one another, in the practice of moderation, the wealth they muſt acquire, will ſoon make them vie with ſtrangers, in luxury and diſſipation.

While a ſpirit of moderation prevails in a trading nation, it may reſt aſſured, that in as far as it excels the nations with whom it correſponds in this particular, ſo far will it increaſe the proportion of its wealth, power, and ſuperiority, over them. Theſe are lawful purſuits among men, when purchaſed by ſucceſs in ſo laudable an emulation.

If it be ſaid, that ſuperfluity, intemperance, prodigality, and idleneſs, qualities diametrically oppoſite to the former, corrupt the human mind, and lead to violence and injuſtice; is it not very wiſely calculated by the Author of all things; that a ſober people, living under a good government, ſhould by induſtry and moderation, neceſſarily acquire wealth, which is the beſt means of warding off the violence of

thoſe with whom they are bound in the great ſociety of mankind? And is it not alſo moſt wiſely ordained, that in proportion as a people contract vicious habits, which may lead to exceſs and injuſtice, the very conſequence of their diſſipation (poverty) ſhould deprive them of the power of doing harm? But ſuch reflections ſeem rather to be too great a refinement on my ſubject, and exceed the bounds of political economy.

When we treat of a virtuous people applying to trade and induſtry, let us conſider their *intereſt* only, in preſerving thoſe ſentiments; and examine the political evil of their falling off from them. When we treat of a luxurious nation, where the not-working part is given to exceſſes in all kinds of conſumption, and the working part to labor and ingenuity, in order to ſupply them, let us examine the conſequences of ſuch a ſpirit with reſpect to foreign trade: and if we find, that a luxurious turn in the rich is prejudicial thereto, let us try to diſcover the methods of engaging the inhabitants to correct their manners from a motive of ſelf-intereſt. Theſe things premiſed.

I ſhall now give a ſhort ſketch of the general principles upon which a ſyſtem of foreign trade may be eſtabliſhed and preſerved as long as poſſible, and of the methods by which it may be again recovered, when, from the natural advantages and ſuperior ability of adminiſtration in rival nations, (not from vices at home) a people have loſt for a time every advantage they uſed to draw from their foreign commerce.

The firſt general principle is to employ, as uſefully as poſſible, a certain number of the ſociety, in

producing objects of the firſt neceſſity, always more than ſufficient to ſupply the inhabitants; and to contrive means of enabling every one of the free hands to procure ſubſiſtence for himſelf, by the exerciſe of ſome ſpecies of induſtry.

Theſe firſt objects compaſſed, I conſider the people as abundantly provided with what is purely neceſſary; and alſo with a ſurplus prepared for an additional number of free hands, ſo ſoon as a demand can be procured for their labor. In the mean time, the ſurplus will be an article of exportation; but no ſooner will demand come from abroad, for a greater quantity of manufactures than formerly, than ſuch demand will have the effect of gradually multiplying the inhabitants up to the proportion of the ſurplus above mentioned, provided the ſtateſman be all along careful to employ theſe additional numbers, which an uſeful multiplication muſt produce, in ſupplying the additional demand: then with the equivalent they receive from ſtrangers, they will at the ſame time enrich the country, and purchaſe for themſelves that part of the national productions which had bean permitted to be exported, only for want of a demand for it at home.

He muſt, at the ſame time, continue to give proper encouragement to the advancement of agriculture, that there may be conſtantly found a ſurplus of ſubſiſtance (for without a ſurplus there can never be enough) this muſt be allowed to go abroad, and ought to be conſidered as the proviſion of thoſe induſtrious hands which are yet unborn.

He muſt cut off all foreign competition, beyond a certain ſtandard, for all the quantity of ſubſiſtence

which is neceſſary for home conſumption; and, by premiums upon exportation, he muſt diſcharge the farmers of any ſuperfluous load, which may remain upon their hands when prices fall too low. This important matter ſhall be explained at large in another place, when we come to treat of the policy of grain.

If natural cauſes ſhould produce a riſe in the price of ſubſiſtence, which cannot be brought down by extending agriculture, he muſt then lay the whole community under contribution, in order to indemnify thoſe who work for ſtrangers, for the advance upon the price of their food; or he muſt indemnify the ſtrangers in another way, for the advance in the price of manufactures.

He muſt conſider the manufactures of ſuperfluity, as worked up for the uſe of ſtrangers, and diſcourage all domeſtic competition for them, by every poſſible means.

He muſt do what he can, conſtantly to proportion the ſupply to the demand made for them; and when the firſt neceſſarily comes to exceed the latter, in ſpight of all his care, he muſt then conſider what remains over the demand, as a ſuperfluity of the ſtrangers; and for the ſupport of the equal balance between work and demand, he muſt promote the ſale of them even within the country, under certain reſtrictions, until the hands employed in ſuch branches where a redundancy is found, can be more uſefully ſet to work in another way.

He muſt conſider the advancement of the common good as a direct object of private intereſt to every individual, and by a diſintereſted adminiſtration of

the public money, he muſt plainly make it appear that it is ſo.

From this principle flows the authority, veſted in all governments, to load the community with taxes, in order to advance the proſperity of the ſtate. And this object can be nowiſe better obtained than by applying the amount of them to the keeping an even balance between work and demand. Upon this the health of a trading ſtate principally depends.

If the failure of foreign demand be found to proceed from the ſuperior natural advantages of other countries, he muſt double his diligence to promote luxury among his neighbours; he muſt ſupport ſimplicity at home; he muſt increaſe his bounties upon exportation; and his expenſe in relieving manufactures, when the price of their induſtry falls below the expenſe of their ſubſiſtence.

While theſe operations are conducted with coolneſs and perſeverance, while the allurements of the wealth acquired do not fruſtrate the execution, the ſtateſman may depend upon ſeeing foreigners return to his ports, ſo ſoon as their own diſſipation, and want of frugality, come to compenſate the advantages which nature had given them over their frugal and induſtrious neighbours.

If this plan be purſued, foreign trade will increaſe in proportion to the number of inhabitants; and domeſtic luxury will ſerve only as an inſtrument in the hands of the ſtateſman to increaſe demand when the home-ſupply becomes too great for foreign conſumption. In other words, the rich citizens will be engaged to conſume what is ſuperfluous, in order to

keep the balance even in favor of the induſtrious, and in favor of the nation.

The whole purport of this plan is to point out the operation of three very eaſy principles.

The firſt, That in a country entirely taken up with the object of promoting foreign trade, no competition ſhould be allowed to come from abroad for articles of the firſt neceſſity, and principally for food, ſo as to raiſe prices beyond a certain ſtandard.

The ſecond, That no domeſtic competition ſhould be allowed upon articles of ſuperfluity, ſo as to raiſe prices beyond a certain ſtandard.

The third, That when theſe ſtandards cannot be preſerved, and that from natural cauſes, prices get above them, public money muſt be thrown into the ſcale to bring prices to the level of thoſe of exportation.

The greater the extent of foreign trade in any nation, the lower theſe ſtandards *muſt* be kept; the leſs the extent of it, the higher they *may* be allowed to riſe. Conſequently.

Were no man in a nation employed in producing the neceſſaries of life, but every man in ſupplying articles of foreign conſumption, the prices of neceſſaries might be allowed to fall as low as poſſible. There would be no occaſion for a ſtandard in favor of thoſe who live by producing them.

Were no man in the ſtate employed in ſupplying ſtrangers, the prices of ſuperfluities might be allowed to riſe as high as poſſible, and a ſtandard would alſo become uſeleſs, as the ſole deſign of it is to favor exportation.

But as neither of theſe ſuppoſitions can ever take place, and as in every nation there is a part employed in producing, and a part in conſuming, and that it is only the ſurplus of induſtry which can be exported; a ſtandard is neceſſary for the ſupport of the reciprocal intereſts of both parties at home; and the public money muſt be made to operate only upon the price of *the ſurplus* of induſtry ſo as to make it exportable, even in caſes where the national prices upon home conſumption have got up beyond the ſtandard. Let me ſet this matter in another light, the better to communicate an idea which I think a little obſcure.

Were food and other neceſſaries the pure gift of nature in any country, I ſhould have laid it down as a principle to diſcourage all foreign competition for them, either below or above any certain ſtandard; becauſe in this caſe the lower the price the better, ſince no inconveniency could reſult from thence to any induſtrious perſon. But when the production of theſe is in itſelf a manufacture, or an object of induſtry, a certain ſtandard muſt be kept up in favor of thoſe who live by producing them.

On the other hand, as to the manufactures of ſuperfluity, domeſtic competition ſhould be diſcouraged, beyond a certain ſtandard, in order that prices may not riſe above thoſe offered by foreigners; but it might be encouraged below the ſtandard, in order to promote conſumption and give bread to manufacturers. But were there no foreign demand at all, there would be no occaſion for any ſtandard, and the nation's wealth would thereby only circulate

in greater or leſs rapidity in proportion as prices would riſe or fall. The ſtudy of the balance between work and demand, would then become a principal object of attention in the ſtateſman, not with a view to enrich the ſtate, but in order to preſerve every member of it in health and vigor. On the other hand, the object of a ſtandard regards foreign trade, and the acquiſition of new wealth, at the expenſe of other nations. The rich, therefore, at home muſt not be allowed to increaſe their conſumption of ſuperfluities beyond the proportion of the conſtant ſupply; becauſe theſe being intended for ſtrangers, the only way of preventing them from ſupplying themſelves, is to prevent prices from getting up beyond the ſtandard; at which ſtrangers can produce them.

Farther, were every one of the ſociety in the ſame purſuit of induſtry, there would be no occaſion for the public to be laid under contribution for advancing the general welfare; but as there is a part employed in enriching the ſtate, by the ſale of their work to ſtrangers, and a part employed in making theſe riches circulate at home, by the conſumption of ſuperfluities, I think it is a good expedient to throw a part of domeſtic circulation into the public coffers; that when the conſequences of private wealth come neceſſarily to raiſe prices, a ſtateſman may be enabled to defray the expenſe of bounties upon that part which can be exported, and thereby enable the nation to continue to ſupply foreigners at the ſame price as formerly.

The farther theſe principles can be carried into execution, the longer a ſtate will flouriſh; and the

longer ſhe will ſupport her ſuperiority. When foreign demand begins to fail, ſo as not to be recalled, either induſtry muſt decline, or domeſtic luxury muſt begin. The conſequences of both may be eaſily gueſſed at, and the principles which influence them ſhall be particularly examined in the following chapter.

CHAP. XVI.

Illuſtration of ſome Principles laid down in the former Chapter, relative to the advancement and ſupport of foreign Trade.

I AM now to give an illuſtration of ſome things laid down, I think, in too general terms in the former chapter, relating to that ſpecies of trade which is carried on with other nations.

I have conſtantly in view to ſeparate and diſtinguiſh the principles of foreign trade, from thoſe which only influence the advancement of an inland commerce, and a briſk circulation: operations which produce very different effects, equally meriting the attention of a ſtateſman.

The very exiſtence of foreign trade, implies a ſeparate intereſt between thoſe nations who are found on the oppoſite ſide of the mercantile contract, as both endeavour to make the beſt bargain poſſible for themſelves. Theſe tranſactions imply a mutual dependence upon one another, which may either be neceſſary or contingent. It is neceſſary, when one of

of the nations cannot ſubſiſt without the aſſiſtance of the other, as is the caſe between the province of Holland, and thoſe countries which ſupply it with grain; or contingent, when the wants of a particular nation cannot be ſupplied by their own inhabitants, from a want of ſkill and dexterity, only.

Wherever, therefore, one nation finds another neceſſarily depending upon her for particular branches of traffic, there is a certain foundation for foreign trade; where the dependence is contingent, there is occaſion for management, and for the hand of an able ſtateſman.

The beſt way to preſerve every advantage, is, to examine in how far they are neceſſary, and in how far they are only contingent, to conſider in what reſpect the nation may be moſt eaſily rivalled by her neighbours, and in what reſpect ſhe has natural advantages which cannot be taken from her.

The natural advantages are chiefly to be depended on: France, for example, can never be rivalled in her wines. Other countries may enjoy great advantages from their ſituation, mines, rivers, ſea-ports, fiſhing, timber, and certain productions proper to the ſoil. If you abſtract from theſe natural advantages, all nations are upon an equal footing as to trade. Induſtry and labor are no properties attached to place, any more than economy and ſobriety.

This propoſition may be called in queſtion, upon the principles of M. de Monteſquieu, who deduces the origin of many laws, cuſtoms, and even religions, from the influence of the climate. That great man reaſoned from fact and from experience, and from

the power and tendency of natural cauſes, to produce certain effects when not checked by other circumſtances; but in my method of treating this ſubject, I ſuppoſe theſe cauſes never to be allowed to produce their natural and immediate effects, when ſuch effects, would be followed by a political inconvenience: becauſe I conſtantly ſuppoſe a ſtateſman at the head of government, who makes every circumſtance concur in promoting the execution of the plan he has laid down.

1*mo.* If a nation then has formed a ſcheme of being long great and powerful by trade, ſhe muſt firſt apply cloſely to the manufacturing every natural produce of the country. For this purpoſe a ſufficicient number of hands muſt be employed: for if hands be found wanting, the natural produce will be exported without receiving any additional value from labor; and ſo the conſequences of this natural advantage will be loſt.

The price of food, and all the neceſſaries for manufactures, muſt be found at an eaſy rate.

And, in the laſt place, if economy and ſobriety in the workmen, and good regulations on the part of the ſtateſman, are not kept up, the end will not be obtained: for if the manufacture, when brought to its perfection, does not retain the advantages which the manufacturer had in the beginning, by employing the natural produce of the country; it is the ſame thing as if the advantage had not exiſted. I ſhall illuſtrate this by an example.

I ſhall ſuppoſe wool to be better, more plentiful, and cheaper, in one country than in another, and

two nations, rivals in that trade. It is natural that the laſt ſhould deſire to buy wool of the firſt, and that the other ſhould deſire to keep it at home, in order to manufacture it. Here then is a natural advantage which the firſt country has over the latter, and which cannot be taken from her. I ſhall ſuppoſe that ſubſiſtence is as cheap in one country as in the other; that is to ſay, that bread and every other neceſſary of life is at the ſame price. If the workmen of the firſt country (by having been the founders of the cloth-manufacture, and by having had, for a long tract of years, ſo great a ſuperiority over other nations, as to make them, in a manner abſolutely dependent upon them for cloths) ſhall have raiſed their prices from time to time, and if, in conſequence of large profits, long enjoyed without rivalſhip, theſe have been ſo conſolidated with the real value, by an habitual greater expenſe in living, which implies an augmentation of wages; that country may thereby loſe all the advantages it had from the low price and ſuperior quality of its wool. But if, on the other hand, the workmen in the laſt country work leſs, be leſs dexterous, pay extravagant prices for wool at prime coſt, and be at great expenſe in carriage; if manufactures cannot be carried on ſucceſsfully, but by public authority, and if private workmen be cruſhed with exceſſive taxes upon the induſtry; all the accidental advantages which the laſt country had over the firſt, may come to be more than balanced, and the firſt may regain thoſe which nature firſt had given her. Butthis ſhould by no means make the firſt country reſt ſecure. Theſe accidental inconvenien-

cies found in the laſt may come to ceaſe; and therefore the only real ſecurity of the firſt for that branch, is the cheapneſs of the workmanſhip.

2*do*. In ſpeaking of a ſtandard, in the laſt chapter, I eſtabliſhed a diſtinction between one regulated by the height of foreign demand, and another kept as low as the poſſibility of ſupplying the manufacture can admit. This requires a little explanation.

It muſt not here be ſuppoſed that a people will ever be brought from a principle of public ſpirit, not to profit of a riſe in foreign demand; and as this may proceed from circumſtances and events which are entirely hid from the manufacturers, ſuch revolutions are unavoidable. We muſt therefore reſtrain the generality of our propoſition, and obſerve, that the indiſpenſible *vibrations* of this foreign demand do no harm; but that the ſtateſman ſhould be conſtantly on his guard to prevent the *ſubverſion of the balance*, or *the ſmalleſt conſolidation of extraordinary profits with the real value*. This he will accompliſh, as has been obſerved, by multiplying hands in thoſe branches of exportation, upon which profits have riſen. This will increaſe the ſupply, and even fruſtrate his own people of extraordinary gains, which would otherwiſe terminate in a prejudice to foreign trade.

A ſtateſman may ſometimes, out of a principle of benevolence, perhaps of natural equity towards the claſſes of the induſtrious, as well as from ſound policy, permit larger profits, as an encouragement to ſome of the more elegant arts, which ſerve as an ornament to a country, eſtabliſh a reputation for taſte and

refinement in favor of a people, and thereby make ſtrangers prefer articles of their production, which have no other ſuperior merit than the name of the country they come from: but even as to theſe, he ought to be upon his guard, never to allow them to riſe ſo high, as to prove an encouragement to other nations, to eſtabliſh a ſucceſsful rivalſhip.

3*tio*. The encouragement recommended to be given to the domeſtic conſumption of ſuperfluities, when foreign demand for them happens to fall ſo low as to be followed with diſtreſs in the workmen, requires a little farther explanation.

If what I laid down in the laſt chapter be taken literally, I own it appears an abſurd ſuppoſition, becauſe it implies a degree of public ſpirit in thoſe who are in a capacity to purchaſe the ſuperfluities, no where to be met with, and at the ſame time a ſelf-denial, in diſcontinuing the demand, ſo ſoon as another branch of foreign trade is opened for the employment of the induſtrious, which contradicts the principles upon which we have founded the whole ſcheme of our political economy.

I have elſewhere obſerved, that were revolutions to happen as ſuddenly as I am obliged to repreſent them, all would go into confuſion.

What, therefore, is meant in this operation comes to this, that when a ſtateſman finds, that the natural taſte of his people does not lead them to profit of the ſurplus of commodities which lie upon hand, and which were uſually exported, he ſhould interpoſe his authority and management in ſuch a way as to prevent the diſtreſs of the workmen, and when, by

a ſudden fall in a foreign demand, this diſtreſs becomes unavoidable, without a more powerful interpoſition, he ſhould then himſelf become the purchaſer, if others will not; or, by premiums or bounties on the ſurplus which lies upon hand, promote the ſale of it at any rate, until the ſupernumerary hands can be otherwiſe provided for. And although I allow that the rich people of a ſtate are not naturally led, from a principle either of public ſpirit or ſelf-denial, to render ſuch political operations effectual to promote the end propoſed, yet we cannot deny, that it is in the power of a good governor, by expoſing the politieal ſtate of certain claſſes of the people, to gain upon men of ſubſtance to concur in ſchemes for their relief; and this is all I intend to recommend in practice. My point of view is to lay down the principles, and I never recommend them farther than they are rendered poſſible in execution, by preparatory ſteps, and by properly working on the ſpirit of the people.

CHAP. XVII.

Symptoms of Decay in foreign Trade.

IF manufacturers are found to be without employment, we are not immediately to accuſe the ſtateſman, or conclude this to proceed from a decay of trade, until the cauſe of it be inquired into. If upon examination it be found, that for ſome years paſt food has been at a higher rate than in neighbouring countries

the ſtateſman may be to blame: for it is certain, that a trading nation, by turning part of her commerce into a proper channel, may always be able to eſtabliſh a juſt balance in this particular. And though it be not expedient in years of ſcarcity to bring the price of grain very low, yet it is generally poſſible to raiſe the price of it in all rival nations, which, with regard to the preſent point, is the ſame thing.

If this want of employment for manufacturers do not proceed from the high prices of living, but for want of commiſſions from the merchants, the cauſes of this diminution of demand muſt be examined into. It may be accidental, and happen from cauſes which may ceaſe in a little time, and trade return to flouriſh as before. It may alſo happen upon the eſtabliſhment of new undertakings in different places of the country, from which by reaſon of ſome natural advantage, or a more frugal diſpoſition in the workmen, or from the proximity of place, markets maybe ſupplied, which formerly were furniſhed by thoſe induſtrious people who are found without employment. In theſe laſt ſuppoſitions, the diſtreſs of the manufacturers does not prove any decay of trade in general, but, on the contrary, may contribute to deſtroy the bad effects of conſolidated profits, by obliging thoſe who formerly ſhared them, to abandon the eaſe of their circumſtances, and ſubmit anew to a painful induſtry, in order to procure ſubſiſtence. When ſuch revolutions are ſudden, they prove hard to bear, and throw people into great diſtreſs. It is partly to prevent ſuch inconveniencies, that we have recommended

the loweſt ſtandard poſſible, upon articles of exportation.

Two cauſes there are, which very commonly mark a decline of trade, to wit; 1. When foreign markets, uſually ſupplied by a trading nation, begin to be furniſhed, let it be in the moſt trifling article, by others, not in uſe to ſupply them. Or, 2. When the country itſelf is furniſhed from abroad with ſuch manufactures as were formerly made at home.

Theſe circumſtances prove one of two things, either that there are workmen in other countries, who, from advantages which they have acquired by nature, or by induſtry and frugality, finding a demand for their work, take the bread out of the mouths of thoſe formerly employed, and deprive them of certain branches of their foreign trade: or, that theſe foreign workmen, having profited of the increaſed luxury and diſſipation of the former traders, have begun to ſupply the markets with certain articles of conſumption, the profits upon which being ſmall, are, without much rivalſhip, inſenſibly yielded up to them by the workmen of the other trading nation, who find better bread in ſerving their own wealthy countrymen.

Againſt the firſt cauſe of decline, I ſee no better remedy than patience, as I have ſaid already, and a perſeverance in frugality and economy, until the unwary beginners ſhall fall into the inconveniencies ganerally attending upon wealth and eaſe.

The ſecond cauſe of decline is far more difficult to be removed. The root of it lies deep, and is ingrafted

with the ſpirit and manners of the whole people, high and low. The lower claſſes have contracted a taſte for ſuperfluity and expenſe, which they are enabled to gratify, by working for their countrymen; while they deſpiſe the branches of foreign trade as low and unprofitable. The higher claſſes again depend upon the lower claſſes, for the gratification of a thouſand little trifling deſires, formed by the taſte of diſſipation, and ſupported by habit, faſhion, and a love of expenſe.

Here then is a ſyſtem ſet on foot, whereby the poor are made rich, and the rich are made happy, in the enjoyment of a perpetual variety of every thing which can remove the inconveniencies to which human nature is expoſed. Thus both parties become intereſted to ſupport it, and vie with one another in the ingenuity of contriving new wants; the one from the immediate ſatisfaction of removing them; the other from the profit of furniſhing the means, and the hopes of one day ſharing in them.

But even for this great evil, the very nature of man points out a remedy. It is the buſineſs of a ſtateſman to lay hold of it. The remedy flows from the inſtability of every taſte not founded upon rational deſires.

In every country of luxury, we conſtantly find certain claſſes of workmen in diſtreſs, from the change of modes. Were a ſtateſman upon his guard to employ ſuch as are forced to be idle, before they betake themſelves to new inventions, for the ſupport of the old plan, or before they contract an abandoned and vitious life, he would get them cheap, and might turn their labor both to the advantage of the ſtate and to the diſcouragement of luxury.

I confeſs, however, that while a luxurious taſte in the rich ſubſiſts, induſtrious people will always be found to ſupply the inſtruments of it to the utmoſt extent; and I alſo allow, that ſuch a taſte has infinite allurements, eſpecially while youth and health enable a rich man to indulge in it. Thoſe, however, who areſyſtematically luxurious, that is, from a formed taſte and confirmed habit, are but few, in compariſon of thoſe who become ſo from levity, vanity, and the imitation of others. The laſt are thoſe who principally ſupport and extend the ſyſtem; but they are not the moſt incorrigible. Were it not for imitation, every age would ſeek after, and be ſatisfied with the gratification of natural deſires. Twenty-five might think of dreſs, horſes, hunting, dogs, and generous wines: forty, of a plentiful table, and the pleaſures of ſociety: ſixty, of coaches, elbow-chairs, ſoft carpets, and inſtruments of eaſe. But the taſte for imitation blends all ages together. The old fellow delights in horſes and fine clothes; the youth rides in his chariot on ſprings, and lolls in an eaſy chair, large enough to ſerve him for a bed. All this proceeds from the ſuperfluity of riches and taſte of imitation, not from the real allurements of eaſe and taſte of luxury, as every one muſt feel, who has converſed at all with the great and rich. Faſhion, which I underſtand here to be a ſynonymous term for imitation, leads moſt people into ſuperfluous expenſe, which is ſo far from being an article of luxury, that it is frequently a load upon the perſon who incurs it. All ſuch branches of expenſe, it is in the power of a ſtateſman to cut off, by ſetting his own example,

and that of his favorites and ſervants, above the caprice of faſhion.

The levity and changeableneſs of mankind, as I have ſaid, will even aſſiſt him. A generation of economiſts is ſometimes found to ſucceed a generation of ſpendthrifts; and we now ſee, almoſt over all Europe, a ſyſtem of ſobriety ſucceeding an habitual ſyſtem of drunkenneſs Drunkenneſs, and a multitude of uſeleſs ſervants, were the luxury of former times.

Every ſuch revolution may be profited of by an able ſtateſman, who muſt ſet a good example on one hand, while, on the other, he muſt profit of every change of taſte, in order to re-eſtabliſh the foreign trade of his ſubjects. An example of frugality, in the head of a luxurious people, would do infinite harm, were it only intended to reform the morals of the rich, without indemnifying the poor for the diminution upon their conſumption.

At the ſame time, therefore, that luxury comes to loſe ground at home, a door muſt be opened, to ſerve as an out-let for the work of thoſe hands which muſt be thereby made idle; and which, conſequently, muſt fall into diſtreſs.

This is no more than the principle before laid down, in the fifteenth chapter, reverſed: there we ſaid, that when foreign demand begins to decline, domeſtic luxury muſt be made to increaſe, in order to ſoften the ſhock of the ſudden revolution in favor of the induſtrious. For the ſame reaſon here we ſay, that foreign trade muſt be opened upon every diminution of domeſtic luxury.

How few Princes do we find either frugal or mag-

nificent from political conſiderations! And, this being the caſe, is it not neceſſary to lay before them the natural conſequences of the one and the other? And it is ſtill more neceſſary to point out the methods to be taken in order to avoid the inconveniencies which may proceed from either.

Under a prodigal adminiſtration, the number of people will increaſe. The ſtateſman therefore ſhould keep a watchful eye upon the ſupplying of ſubſiſtence. Under a frugal reign, numbers will diminiſh, if the ſtateſman does not open every channel which may carry off the ſuperfluous productions of induſtry. Here is the reaſon: a diminution of expenſe at home, is a diminution of employment; and this again implies a diminution of people; becauſe it interrupts the circulation of the ſubſiſtence which made them live; but if employment is ſent far from abroad, the nation will preſerve its people, and the ſavings of the Prince may be compenſated by the balance coming in from ſtrangers.

Theſe topics are delivered only as hints, and the amplification of them might not improperly have a place her; but I expect to bring them in elſewhere to greater advantage, after examining the principles of taxation, and pointing out thoſe which direct the application of public money.

CHAP. XVIII.

Methods of lowering the Price of Manufactures, in order to make them vendible in foreign Markets.

THE multiplicity of relations between the ſeveral parts of political economy, forces me to a frequent repetition of principles. I have no other rule to judge whether ſuch relations be ſuperfluous, or neceſſary, but by the tendency they have to give me a more diſtinct view of my ſubject. This is the caſe when the ſame principles are applied to different combinations of circumſtances.

Almoſt every thing to be ſaid on the head mentioned in the title of this chapter, has been taken notice of elſewhere; and my preſent intention is only to lay together ideas which appear ſcattered, becauſe they have been occaſionally brought in by their relations to other matters.

The methods of lowering the price of manufactures, ſo as to render them exportable, are of two kinds.

The firſt, ſuch as proceed from a good adminiſtration, and which bring down prices within the country, in conſequence of natural cauſes.

The ſecond, ſuch as operate only upon that part which comes to be exported, in conſequence of a proper application of public money.

As I have not yet inquired into the methods of providing a public fund, it would, I think, be con-

trary to order to enter on the diſpoſal of it, for bringing down the price of manufactures. This operation will come in more naturally afterwards, and the general diſtinction here mentioned, is only introduced by the by, that my readers may retain it and apply it as we go along.

The end propoſed is to lower the price of manufactures, ſo that they may be exported. The firſt thing therefore to be known, is the cauſe from whence it happens, that certain manufactures cannot be furniſhed at home ſo cheap as in other countries; the ſecond how to apply the proper remedy for lowering the price of them.

The cauſes of high prices, that is, of prices relatively high to what they are found to be in other nations, are reducible to four heads, which I ſhall lay down in their order, and then point out the methods of removing them likewiſe, in their order.

1*mo.* The conſolidation of high profits with the real value of the manufacture. This cauſe operates in countries where luxury has gained ground, and when domeſtic competition has called off too many of the hands, which were formerly content to ſerve at a low price, and for ſmall gains.

2*do.* The riſe in the price of articles of the firſt neceſſity. This cauſe operates when the progreſs of induſtry has been more rapid than that of agriculture. The progreſs of induſtry we have ſhown neceſſarily implies an augmentation of *uſeful inhabitants;* and as theſe have commonly wherewithal to purchaſe ſubſiſtence, the moment their numbers ſwell above the proportion of the quantity of it produced by agricul-

ture, or above what is found in the markets of the country, or brought from abroad, they enter into competition and raiſe the price of it. Here then let it be obſerved, by the by, that what raiſes the price of ſubſiſtence is the augmentation of the numbers of uſeful inhabitants, that is, of ſuch as are eaſy in their circumſtances. Let the wretched be ſo many, let the vicious procreation go on ever ſo far, ſuch inhabitants will have little effect in raiſing prices, but a very great one in increaſing miſery. A proof of this is to be met with in many provinces where the number of poor is very great, and where at the ſame time the price of neceſſaries is very low; whereas no inſtance can be found where a number of the induſtrious being got together, do not occaſion an immediate riſe on moſt of the articles of ſubſiſtence.

3*tio*. The natural advantages of other countries. This operates in ſpite of all the precautions of the moſt frugal and laborious people. Let them deprive themſelves of every ſuperfluity; let them be ever ſo diligent and ingenious; let every circumſtance be improved by the ſtateſman to the utmoſt for the eſtabliſhment of foreign trade; the advantage of climate and ſituation may give ſuch a ſuperiority to the people of another country, as to render a direct competition with them impoſſible.

4*to*. The ſuperior dexterity of other nations in working up their manufactures, their knowledge in the ſcience of trade, the advantage they have in turning their money to account in the intervals of their own direct circulation, the ſuperior abilities of their ſtateſman, the application of their public money, in one word, the perfection of their political economy.

Before I enter upon the method of removing theſe ſeveral inconveniencies, I muſt obſerve, that as we are at preſent treating of the *relative* height of the price of manufactures, a competition between nations is conſtantly implied. It is this which obliges a ſtateſman to be principally attentive to the riſe of prices. The term *competition* is relative to, and conveys the idea of emulation between two parties ſtriving to compaſs the ſame end. I muſt therefore diſtinguiſh between the endeavours which a nation makes to *retain* a ſuperiority already got, and thoſe of another which ſtrives to get the better of it. The firſt I ſhall call a competition to *retain*; the ſecond, a competition to *acquire*.

The firſt three heads repreſent the inconveniencies to which the competitors to *retain* are liable; and the fourth comprehends thoſe to which the competitors to *acquire* are moſt commonly expoſed.

Having digeſted our ſubject into order, I ſhall run through the principles which ſeverally influence the removing of every inconvenience, whether incident to a nation whoſe foreign trade is already well eſtabliſhed, or to another naturally calculated for entering into a competition for the acquiſition of it.

In propoſing a remedy for the particular cauſes of augmentation here ſet down, we muſt ſuppoſe every one entirely ſimple, and uncompounded with the others; a thing which in fact ſeldom happens. This I do for the ſake of diſtinctneſs; and the principal difficulty in practice is to combine the remedies in proportion to the complication of the diſeaſe. I now come to the firſt of the four cauſes of high prices, to wit, conſolidated profits.

The

The whole doctrine of theſe has been abundantly ſet forth in the 10th chapter. We there explained the nature of them, ſhowed how the ſubverſion of the balance by a long preponderancy of the ſcale of demand, had the effect of conſolidating profits in a country of luxury; and obſerved, that the reducing them to the proper ſtandard could never fail of bringing thoſe who had long enjoyed them, into diſtreſs.

The queſtion here is to reduce them when foreign trade cannot otherwiſe be retained, let the conſequences be ever ſo hurtful to certain individuals. When the well being of a nation comes in competition with a temporary inconvenience to ſome of the inhabitants, the general good muſt be preferred to particular conſiderations.

I have obſerved above, that domeſtic luxury, by offering high prices upon certain ſpecies of induſtry, calls off many hands employed to ſupply the articles of exportation, upon which profits are generally very moderate. The firſt natural and immediate effect of this, is, to diminiſh the hands employed in furniſhing the foreign demand; conſequently, to diminiſh the ſupply; conſequently, to occaſion a *ſimple competition* on the ſide of the ſtrangers, who are the purchaſers; conſequently, to augment profits, until by their riſe and conſolidation the market is deſerted.

The very progreſs here laid down, points out the remedy. The number of hands employed in theſe particular branches muſt be multiplied; and if the luxurious taſte and wealth of the country prevent any one who can do better, from betaking

himſelt to a ſpecies of induſtry lucrative to the nation, but ungrateful to thoſe who exerciſe it, the ſtateſman muſt collect the children of the wretched into work-houſes, and breed them to this employment, under the beſt regulations poſſible for ſaving every article of unneceſſary expenſe; here likewiſe may be employed occaſionally thoſe abovementioned, whom the change of modes may have caſt out of employment, until they can be better provided for. This is alſo an outlet for foundlings, ſince many of thoſe who work for foreign exportation, are juſtly to be ranked in the loweſt claſſes of the people; and in the firſt book we propoſed, that every one brought up at the expenſe of public charity, ſhould be thrown in for recruiting theſe claſſes, which can with greateſt difficulty ſupport their own propagation.

Here let me obſerve, that although it be true in general, that the greateſt part of exportable manufactures do yield but very middling profits, from the extenſion of induſtry in different countries, yet ſundry exceptions may be found; eſpecially in nations renowned for their elegance of taſte. But how quickly do we ſee theſe lucrative branches of foreign trade cut off, from the very inconvenience we here ſeek a remedy for. The reaſon is plain. When ſtrangers demand ſuch manufactures, they only ſhare in the inſtruments of foreign luxury, which bring every where conſiderable profits to the manufacturer. Theſe high profits eaſily eſtabliſh a rivalſhip in favor of the nation to whom they are ſupplied; becauſe a hint is ſufficient to enable ſuch as exerciſe a ſimilar profeſſion in that country, to ſupply their own inhabitants. This

being the caſe, an able ſtateſman ſhould be conſtantly attentive to every growing taſte in foreign nations for the inventions of his people; and ſo ſoon as his luxurious workmen have ſet any one on foot, he may throw that branch into the hands of the moſt frugal, in order to ſuport it, and give them ſuch encouragement as to prevent, at leaſt, the rivalſhip of thoſe ſtrangers who are accuſtomed to work for large profits. This is one method of turning a branch of luxury into an article of foreign trade. Let me illuſtrate this by an example.

What great advantages do not the French reap from the exportation of their modes? But we quickly find their varniſhes, gauzes, ribbands, and colifichets, imitated by other nations, for no other reaſon but becauſe of the large, or at leaſt conſolidated profits enjoyed by the French workmen themſelves, who, fertile in new inventions, and ſupported by their reputation for elegance of dreſs, have got into poſſeſſion of the right of preſcribing to all Europe the ſtandard of taſte in articles of mere ſuperfluity. This however is no permanent prerogative; and that elegant people, by long ſetting the example, and determining the ſtandard of refinement in ſome luxurious arts, will at laſt inſpire a ſimilar taſte into their ſcholars, who will thereby be enabled to ſupplant them. Whereas were they careful to ſupply all their inventions at the loweſt prices poſſible, they would ever continue to be the only furniſhers.

The method therefore of reducing conſolidated profits, whether upon articles of exportation, or home conſumption, is to increaſe the number of hands employed in ſupplying them; and the more gradually this revolution is made to take place, the fewer inconveniencies will reſult to thoſe who will thereby be forced to renounce them.

A country which has an extenſive territory, and great opportunities of extending her agriculture (ſuch as I ſuppoſed the preſent ſituation of France to be) may, under a good adminiſtration, find the progreſs of luxury very compatible with the proſperity of her foreign trade; becauſe inhabitants may be multiplied at diſcretion. But ſo ſoon as ſubſiſtence becomes hard to be obtained, this expedient is cut off. A ſtateſman muſt then make the beſt of the inhabitants he has, luxury muſt ſuffer a check; and thoſe who are employed in ſupplying home conſumption at high prices, muſt be made to reduce their conſolidated profits, in order to bring the total amount of their manufactures within ſuch bounds as to make them vendible in foreign markets.

If manufacturers become luxurious in their way of living, it muſt proceed from their extraordinary profits. Theſe they may ſtill continue to have, as long as the produce of their work is conſumed at home. But no merchant will pretend to ſell it out of the country; becauſe, in this caſe, he will find the labor of other people who are leſs luxurious, and conſequently work cheaper, in competition with him.

To re-eſtabliſh then the foreign trade, theſe conſolidated profits muſt be put an end to, by attacking luxury when circumſtances render an augmentation of people inconvenient, and prices will fall of courſe.

This will occaſion great complaints among all ſorts of tradeſmen. The cry will be, that trade is ruined, manufacturers are ſtarving, and the ſtate is undone: but the truth will be, that manufacturers will, by their labor, begin to enrich their own nation, at the expenſe of all thoſe who trade with her, inſtead of being enriched at the expenſe of their own countrymen; and only by a revolution in the balance of wealth at home.

It will prove very diſcouraging to any ſtateſman to attempt a ſudden reform of this abuſe of conſolidated profits, when he is obliged to attack the luxury of his own people. The beſt way therefore is to prevent matters from coming to ſuch a paſs, as to demand ſo dangerous and difficult a remedy.

There is hardly a poſſibility of changing the manners of a people, but by a proper attention to the education of the youth. All methods, therefore, ſhould be fallen upon to ſupply manufactures with new hands; and leſt the corruption of example ſhould get the better of all precautions, the ſeat of manufactures might be changed; eſpecially when they are found in great and populous cities, where living is dear: in this caſe, others ſhould be erected in the provinces where living is cheap. The ſtate muſt encourage theſe new undertakings, numbers of children muſt be taken in, in order to be bred early to induſtry and frugality; this again will encourage

people to marry and propagate, as it will contribute towards diſcharging them of the load of a numerous family. If ſuch a plan as this be followed, how inconſiderable will the number of poor people become in a little time; and as it will inſenſibly multiply the uſeful inhabitants, out of that youth which recruited and ſupported the numbers of the poor, ſo the taxes appropriated for the relief of poverty may be wholly applied, in order to prevent it.

Laws of naturalization have been often propoſed in a nation where conſolidated profits have occaſioned the inconveniencies for which we have here been propoſing a remedy. By this expedient many flatter themſelves to draw induſtrious ſtrangers into the country, who being accuſtomed to live more frugally, and upon leſs profits, may, by their example and competition, beat down the price of work among the inhabitants.

Several circumſtances concur to defeat the ſucceſs of this ſcheme. The firſt is, that conſolidated profits are not the only inconvenience to be removed: there is alſo a complication of high prices upon many neceſſaries. The ſecond, as no real change is ſuppoſed to be made within the country, either as to the increaſe of ſubſiſtence, or the regulation of its price, or manner of living, theſe ſtrangers, who, as ſuch, muſt be expoſed to extraordinary expenſe, are not able to ſubſiſt, nor conſequently to work ſo cheap as they did at home. Beſides, what can be ſuppoſed to be their motive of coming, if it be not to have higher wages, and to live better?

Here then is a nation ſending for ſtrangers, in order that they may work cheaper; and ſtrangers flocking

into the country in hopes of ſelling their work dearer. This is juſt the caſe with two friends who are about making a bargain; the ſeller imagines that *his friend* will not grudge a good price. The buyer, on the other hand, flatters himſelf that *his friend* will ſell to him cheaper than to another. This ſeldom fails to produce diſcontent on both ſides.

Beſides, unleſs the quantity of food be increaſed, if ſtrangers are imported to eat part of it, natives muſt in ſome degree ſtarve; and if you augment the quantity of food, and keep it at a little lower price than in neighbouring nations, your own inhabitants will multiply; the ſtate may take great numbers of them into their ſervice when young; they ſoon come to be able to do ſomething in the manufacturing way; they may be bound for a number of years, ſufficient to indemnify the public for the firſt expenſe; and the encouragement alone of having bread cheaper than elſewhere, will bring you as many ſtrangers as you incline to receive, provided a continual ſupply of food can be procured in proportion to the increaſe of the people.

But I imagine that it is always better for a ſtate to multiply by means of its own inhabitants, than by that of ſtrangers; for many reaſons which to me appear obvious.

We come now to the ſecond cauſe of high prices, to wit, a riſe in the value of the articles of the firſt neceſſity, which we have ſaid proceeds from the progreſs of induſtry having outſtripped the progreſs of agriculture. Let me ſet this idea in a clearer light; for here it is ſhut up in too general terms to be rightly viewed on all ſides.

The idea of inhabitants being multiplied beyond the proportion of ſubſiſtence, ſeems to imply that there are too many already; and the demand for their induſtry having been the cauſe of their multiplication, proves that formerly there were too few. Add to this, that if, notwithſtanding the riſe upon the price of work proceeding from the ſcarcity of ſubſiſtence, the ſcale of home demand is found to preponderate, at the expenſe of foreign trade, this circumſtance proves farther, that however the inhabitants may be already multiplied above the proportion of ſubſiſtence, their numbers are ſtill too few for what is demanded of them at home; and for what is required of them towards promoting the proſperity of their country, in ſupporting their trade abroad.

From this expoſition of the matter, the remedy appears evident: both inhabitants and ſubſiſtence muſt be augmented. The queſtion comes to be, in what manner, and with what precautions, muſt theſe operations be performed?

Inhabitants are multiplied by reducing the price of ſubſiſtence, to the value which demand has fixed upon the work of thoſe who are to conſume it. This is only to be accompliſhed by augmenting the quantity, by importation from foreign parts, when the country cannot be made to produce more of itſelf.

Here the interpoſition of a ſtateſman is abſolutely neceſſary; ſince great loſs may often be incurred by bringing down the price of grain in a year of ſcarcity. Premiums, therefore, muſt be given upon importation, until a plan can be executed for the extending of agriculture; of which in another place. This muſt

be gone about with the greateſt circumſpection; for if grain be thereby made to fall too low, you ruin the landed intereſt, and although (as we have ſaid above) all things ſoon become balanced in a trading nation, yet ſudden and violent revolutions, ſuch as this muſt be, are always to be apprehended. They are ever dangerous; and the ſpirit of every claſs of inhabitants muſt be kept up.

By a diſcredit caſt upon any branch of induſtry, the hands employed in it may be made to abandon it, to the great detriment of the whole. This will infallibly happen, when violent tranſitions do not proceed from natural cauſes, as in the example here before us, when the price of grain is ſuppoſed to be brought down, from the increaſe of its quantity by importation, and not by plenty. Becauſe, upon the falling of the market by importation, the poor farmer has nothing to make up for the low price he gets for his grain; whereas, when it proceeds from plenty, he has an additional quantity.

In years, therefore, of general ſcarcity, a ſtateſman ſhould not, by premiums given, reduce the price of grain, but in a reciprocal proportion to the quantity wanted: that is to ſay, the more grain is wanted, the leſs the price ſhould be diminiſhed.

It may appear a very extenſive project for any government to undertake to keep down the prices of grain, in years of general ſcarcity. I allow it to be politically impoſſible to keep prices low; becauſe if all Europe be taken together, the produce of the whole is conſumed one year with another, by the inhabitants; and in a year when there is a general

ſcarcity, it would be very hard, if not impoſſible, (without having previouſly eſtabliſhed a plan for this purpoſe) to make any nation live in plenty while others are ſtarving. All therefore that is propoſed, is to keep the prices of grain in as juſt a proportion as poſſible to the plenty of the year.

Now if a government does not interpoſe, this never is the caſe. I ſhall ſuppoſe the inhabitants of a country to conſume, in a year of moderate plenty, ſix millions of quarters of grain; if in a year of ſcarcity it ſhall be found, that one million of quarters, or indeed a far leſs quantity, be wanting, the five millions of quarters produced, will riſe in their price to perhaps double the ordinary value, inſtead of being increaſed only by one fifth. But if you examine the caſe in countries where trade is not well eſtabliſhed, as in ſome inland provinces on the continent, it is no extraordinary thing to ſee grain bearing three times the price it is worth in ordinary years of plenty, and yet if in ſuch a year there were wanting ſix months proviſions for the inhabitants of a great kingdom, all the reſt of Europe would perhaps hardly be able to keep them from ſtarving.

It is the fear of want, and not real want, which makes grain riſe to immoderate prices. Now as this extraordinary revolution in the riſe of it, does not proceed from a natural cauſe, to wit, the degree of ſcarcity, but from the avarice and evil deſigns of men who hoard it up, it produces as bad conſequences to that part of the inhabitants of a country employed in manufactures, as the fall of grain would produce to the farmers, in caſe the prices ſhould be, by

importation, brought below the juſt proportion of the quantity produced in the nation.

Beſides the importation of grain, there is another way of increaſing the quantity of it very conſiderably, in ſome countries of Europe. In a year of ſcarcity, could not the quantity of food be conſiderably augmented by a prohibition to make malt liquors, allowing the importation of wines and brandies; or indeed without laying any reſtraint upon the liberty of the inhabitants as to malt liquors, I am perſuaded that the liberty of importing wines duty free, would, in years of ſcarcity, conſiderably augment the quantity of ſubſiſtence.

This is not a proper place to examine the inconvenience which might reſult to the revenue by ſuch a ſcheme; becauſe we are here only talking of thoſe expedients which might be fallen upon to preſerve a balance on foreign trade. An exchequer which is filled at the expenſe of this, will not continue long in a flouriſhing condition.

Theſe appear to be the moſt rational temporary expedients to diminiſh the price of grain in years of ſcarcity; we ſhall afterwards examine the principles upon which a plan may be laid down to deſtroy all precarioufneſs in the price of ſubſiſtence.

Precautions of another kind muſt be taken in years of plenty; for high prices occaſioned by exportation are as hurtful to the poor tradeſman as if they were occaſioned by ſcarcity. And low prices occaſioned by ſuperfluity are as hurtful to the poor huſbandman as if his crop had failed him.

A ſtateſman therefore, ſhould be very attentive to

put the inland trade in grain upon the beſt footing poſſible, to prevent the frauds of merchants, and to promote an equal diſtribution of food in all corners of the country: and by the means of importation and exportation, according to plenty and ſcarcity, to regulate a juſt proportion between the general plenty of the year in Europe, and the price of ſubſiſtence; always obſerving to keep it ſomewhat lower at home, than it can be found in any rival nation in trade. If this method be well obſerved, inhabitants will multiply; and this is a principal ſtep towards reducing the expenſe of manufactures; becauſe you increaſe the number of hands, and conſequently diminiſh the price of labor.

Another expedient found to operate moſt admirable effects in reducing the price of manufactures (in thoſe countries where living is rendered dear, by a hurtful competition among the inhabitants for the ſubſiſtence produced) is the invention and introduction of machines. We have, in a former chapter, anſwered the principal objections which have been made againſt them, in countries where the numbers of the idle, or trifling induſtrious, are ſo great, that every expedient which can abridge labor, is looked upon as a ſcheme for ſtarving the poor. There is no ſolidity in this objection; and if there were, we are not at preſent in queſt of plans for feeding the poor; but for accumulating the wealth of a trading nation, by enabling the induſtrious to feed themſelves at the expenſe of foreigners. The introduction of machines is found to reduce prices in a ſurpriſing manner. And if they have the effect of taking bread from hundreds,

formerly employed in performing their ſimple operations, they have that alſo of giving bread to thouſands, by extending numberleſs branches of ingenuity, which, without the machines, would have remained circumſcribed within very narrow limits. What progreſs has not building made within theſe hundred years? Who doubts that the conveniency of great iron works, and ſaw mills, prompts many to build? And this taſte has greatly contributed to increaſe, not diminiſh, the number both of ſmiths and carpenters, as well as to extend navigation. I ſhall only add in favor of ſuch expedients, that experience ſhows the advantage gained by certain machines, is more than enough to compenſate every inconvenience ariſing from conſolidated profits, and expenſive living; and that the firſt inventors gain thereby a ſuperiority which nothing but adopting the ſame invention can counterbalance.

The third cauſe of high prices we have ſaid to be owing to the natural advantages which neighbouring nations reap from their climate, ſoil, or ſituation.

Here no riſe of prices is implied in the country in queſtion, they are only ſuppoſed to have become relatively high by the opportunity other nations have had to furniſh the ſame articles at a lower rate, in conſequence of their natural advantages.

There are two expedients to be uſed, in order to defeat the bad effects of a competition which cannot be got the better of in the ordinary way. The firſt to be made uſe of, is, to aſſiſt the branches in diſtreſs with the public money. The other is patience, and perſeverance in frugality, as has been already

obſerved. A ſhort example of the firſt will be ſufficient in this place to make the thing fully underſtood. I have already ſaid, that I purpoſely poſtpone an ample diſſertation upon the principles which influence ſuch operations.

Let me ſuppoſe a nation accuſtomed to export to the value of a million ſterling of fiſh every year, underſold in this article by another which has found a fiſhery on its own coaſts, ſo abundant as to enable it to underſell the firſt by 20 *per cent.* This being the caſe, the ſtateſman may buy up all the fiſh of his ſubjects, and underſell his competitors at every foreign market, at the loſs of perhaps 250,000 *l.* What is the conſequence? That the million he paid for the fiſh remains at home, and that 750,000 *l.* comes in from abroad for the price of them. How is the 250,000 *l.* to be made up? By a general impoſition upon all the inhabitants. This returns into the public coffers, and all ſtands as it was. If this expedient be not followed, what are the conſequences? That thoſe employed in the fiſhery are forced to ſtarve; that the fiſh taken either remain upon hand, or if ſold by the proprietors, at a great loſs; theſe are undone, and the nation for the future loſes the acquiſition of 750,000 *l.* a year.

To abridge this operation, premiums are given upon exportation, which comes to the ſame thing, and is a refinement on the application of this very principle: but premiums are often abuſed. It belongs to the department of the coercive power of government to put a ſtop to ſuch abuſe. All I ſhall ſay upon the matter is, that if there be crimes called high

treaſon, which are puniſhed with greater ſeverity than highway robbery, and aſſaſſination, I ſhould be apt (were I a ſtateſman) to put at the head of that bloody liſt, every attempt to defeat the application of public money, for the purpoſes here mentioned. The multiplicity of frauds alone, diſcourages a wiſe government from proceeding upon this principle, and diſappoints the ſcheme. If ſevere puniſhment can in its turn put a ſtop to frauds, I believe it will be thought very well applied.

While a ſtateſman is thus defending the foreign trade of his country, by an extraordinary operation performed upon the circulation of its wealth, he muſt at the ſame time employ the ſecond expedient with equal addreſs. He muſt be attentive to ſupport ſobriety at home, and wait patiently until abuſes among his neighbours ſhall produce ſome of the inconveniencies we have already mentioned. So ſoon as this comes to be the caſe, he has gained his point; the premiums then may ceaſe; the public money may be turned into another channel; or the tax may be ſuppreſſed altogether, according as circumſtances may require.

I need not add, that the more management and diſcretion is uſed in ſuch operations, the leſs jealouſy will be conceived by other rival nations. And as we are propoſing this plan for a ſtate already in poſſeſſion of a branch of foreign trade, ready to be diſputed by others, having ſuperior natural advantages, it is to be ſuppoſed that the weight of money, at leaſt, is on her ſide. This, if rightly employed, will prove an advantage, more than equal to any thing which

can be brought againſt it; and if ſuch an operation comes to raiſe the indignation of her rival, it will, on the other hand, reconcile the favor of every neutral ſtate, who will find a palpable benefit from the competition, and will never fail giving their money to thoſe who ſell the cheapeſt. In a word, no private trader can ſtand in competition with a nation's wealth. Premiums are an engine in commerce, which nothing can reſiſt but a ſimilar operation.

Hitherto we have been propoſing methods for removing the inconveniencies which accompany wealth and ſuperiority, and for preſerving the advantages which reſult from foreign trade already eſtabliſhed: we muſt now change ſides, and adopt the intereſt of thoſe nations who labor under the weight of a heavy competition with their rich neighbours, verſed in commerce, dexterous in every art and manufacture, and conducted by a ſtateſman of ſuperior abilities, who ſets all engines to work, in order to make the moſt of every favorable circumſtance.

It is no eaſy matter for a ſtate unacquainted with trade and induſtry, even to form a diſtant proſpect of rivalſhip with ſuch a nation, while the abuſes attending upon their wealth are not ſuppoſed to have crept in among them. Conſequently, it would be the higheſt imprudence to attempt (at firſt ſetting out) any thing that could excite their jealouſy.

The firſt thing to be inquired into, is the ſtate of natural advantages. If any branch of natural produce, ſuch as grain, cattle, wines, fruits, timber, or the like, are here found of ſo great importance

importance to the rival nation, that they will purchaſe them with money, not with an exchange of their manufactures, ſuch branches of trade may be kept open with them. If none ſuch can be found, the firſt is to cut off all communication of trade by exchange with ſuch a people; and to apply cloſely to the ſupply of every want at home, without having recourſe to foreigners.

So ſoon as theſe wants begin to be ſupplied, and that a ſurplus is found, other nations muſt be ſought for, who enjoy leſs advantages; and trade may be carried on with them in a ſubaltern way. People here muſt glean before they can expect to reap. But by gleaning every year they will add to their ſtock of wealth, and the more it is made ſubſervient to public uſes, the faſter it will increaſe.

The beginners will have certain advantage inſeparable from their infant ſtate; to wit, a ſeries of augmentations of all kinds, of which we have ſo frequently made mention. If theſe can be preſerved in an equal progreſſion; If the balance of work and demand, and that of population and agriculture, can be kept in a gentle vibration, by alternate augmentations; and if a plan of economy, equally good with that of the rivals, be ſet on foot and purſued; time will bring every natural advantage of climate, ſoil, ſituation, and extent, to work their full effects; and in the end they will decide the ſuperiority.

I ſhall now conclude my chapter, with ſome obſervations on the difference between theory and practice, ſo far as regards the preſent ſubject.

In theory, we have conſidered every one of the cauſes which produce high prices, and prevent exportation, as ſimple and uncompounded: in practice they are ſeldom ever ſo. This circumſtance makes the remedies difficult, and ſometimes dangerous. Difficult, from the complication of the diſeaſe; dangerous, becauſe the remedy againſt conſolidated profits will do infinite harm, if applied to remove that which proceeds from dear ſubſiſtence, as has been ſaid.

Another great difference between theory and practice occurs in the fourth caſe; where we ſuppoſe a nation unacquainted with trade, to ſet out upon a competition with thoſe who are in poſſeſſion of it. When I examine the ſituation of ſome countries of Europe (Spain perhaps) to which the application of theſe principles may be made, I find that it is preciſely in ſuch nations, where the other diſadvantages of conſolidated profits, and even the high prices of living, are carried to the greateſt height; and that the only thing which keeps one ſhilling of ſpecie among them, is the infinite advantage they draw from the mines, and from the ſale of their pure and unmanufactured natural productions, added to their ſimplicity of life, occaſioned by the wretchedneſs of the lower claſſes, which alone prevents theſe alſo from conſuming foreign commodities. Were money in theſe countries as equally diſtributed as in thoſe of trade and induſtry, it would quickly be exported. Every one would extend his conſumption of foreign commodities, and the wealth would diſappear.

But this is not the caſe; the rich keep their money in their coffers: becauſe lending at intereſt, there, is very wiſely laid under numberleſs obſtructions. The vice, therefore, is not that the lending of money at intereſt is forbid, but that the people are not put in a ſituation to have any preſſing occaſion for it, as a means of advancing their induſtry. Were they taught to ſupply their own wants, the ſtate might encourage circulation by loan; but as they run to ſtrangers for that ſupply, money is better locked up.

Upon a right uſe and application of theſe general principles, according to the different combinations of circumſtances, in a nation whoſe principal object is an extenſive and profitable foreign trade, I imagine a ſtateſman may both eſtabliſh and preſerve, for a very long time, a great ſuperiority in point of commerce; provided peace can be preſerved; for in time of war, every populous nation, if great and extended, will find ſuch difficulties in procuring food, and ſuch numbers of hands to maintain, that what formerly made its greatneſs, will haſten its ruin.

CHAP. XIX.

Of infant, foreign, and inland Trade, with reſpect to the ſeveral Principles which influence them.

I HAVE always found the geography of a country eaſier to retain, from the inſpection of maps, after travelling over the regions there repreſented, than

before; as moſt prefaces are beſt underſtood, after reading the book, which they are calculated to introduce. I intend this as an apology for preſenting my readers with a chapter of diſtribution in the middle of my ſubject.

My intention, at preſent, is to take a view of the whole region of trade, divided into its different diſtricts, in order to point out a ruling principle in each, from which every other muſt naturally flow, or may be deduced by an eaſy reaſoning. Theſe I ſhall lay before my reader, that from them he may diſtribute his ideas in the ſame order I have done. Hence the terms I ſhall be obliged to uſe will be rendered more adequate, in expreſſing the combinations I may have occaſion to convey by them.

I divide trade into infant, foreign, and inland.

1*mo.* Infant trade, taken in a general acceptation, may be underſtood to be that ſpecies, which has for its object the ſupplying the neceſſities of the inhabitants of a country; becauſe it is commonly antecedent to the ſupplying the wants of ſtrangers. This ſpecies has been known in all ages, and in all countries, in a leſs, or greater degree, in proportion to the multiplication of the wants of mankind, and in proportion to the numbers of thoſe who depend on their ingenuity for procuring ſubſiſtence.

The general principles which direct a ſtateſman in the proper encouragement of this commerce, relate to two objects.

1. To promote the eaſe and happineſs of the higher claſſes in making their wealth ſubſervient to their wants and inclinations.

2. To promote the eaſe and happineſs of the lower claſſes, by turning their natural faculties to an infallible means of relieving their neceſſities.

This communicates the idea of a free ſociety; becauſe it implies the circulation of a real equivalent for every ſervice; to acquire which, mankind ſubmit with pleaſure to the hardeſt labor.

In the firſt book, I had little occaſion to conſider trade under different denominations; or as influenced by any other principle than that of promoting the multiplication of mankind, and the extenſion of agriculture, *by drawing the wealth of the rich into the hands of the* induſtrious. This operation, when carried no farther, is a true repreſentation of infant trade.

But now I muſt ſet the matter in a new light: and conſider this infant trade as a baſis for eſtabliſhing a foreign commerce. In itſelf it is only a means of gratifying the deſires of thoſe who have the equivalent; and of providing it for thoſe who have it not. We are next to examine how, by the care of a ſtateſman, it may prove a method whereby one ſociety may be put in a ſituation to acquire a ſuperiority over others; by diminiſhing, on one hand, the quantity they have of that general equivalent, and by increaſing, on the other, the abſolute quantity of it at home; in ſuch a manner as not only to promote the circulation of that part of it which is neceſſary to ſupply the wants of all the citizens; but by a ſurplus of it, to render other nations dependent upon them, in moſt operations of their political economy.

The ſtateſman who reſolves to improve this infant trade into foreign commerce, muſt examine the wants of other nations, and conſider the productions of his own country. He muſt then determine, what kinds of manufactures are beſt adapted for ſupplying the firſt, and for conſuming the latter. He muſt introduce the uſe of ſuch manufactures among his ſubjects; and endeavour to extend his population, and his agriculture, by encouragements given to theſe new branches of conſumption. He muſt provide his people with the beſt maſters; he muſt ſupply them with every uſeful machine; and above all, he muſt relieve them of their work, when home-demand is not ſufficient for the conſumption of it.

A conſiderable time muſt of neceſſity be required to bring a people to a dexterity in manufactures. The branches of theſe are many; and every one requires a particular ſlight of hand, and a particular maſter, to point out the rudiments of the art. People do not perceive this inconveniency, in countries where they are already introduced; and many a projector has been ruined for want of attention to it.

In the more ſimple operations of manufacturing, where apprenticeſhips are not in uſe, every one teaches another. The new beginners are put among a number who are already perfect: all the inſtructions they get, is, *do as you ſee others do before you.* This is an advantage which an eſtabliſhed induſtry has over another newly ſet on foot; and this I apprehend to be the reaſon why we ſee certain manufactures, after remaining long in a ſtate of infancy, make in

a few years a moſt aſtoniſhing progreſs. What loſs muſt be at firſt incurred: what numbers of aſpiring geniuſes overpowered by unſucceſsful beginnings, when a ſtateſman does not concern himſelf in the operation! If he aſſiſts his ſubjects, by a prohibition upon foreign work, how often do we ſee this expedient become a means of extending the moſt extravagant profits? Becauſe he neglects, at the ſame time, to extend the manufacture by multiplying the hands employed in it. I allow, that as long as the gates of a kingdom are kept ſhut, and that no foreign communication is permitted, large profits do little harm; and tend to promote dexterity and refinement. This is a very good method for laying a foundation for manufactures: but ſo ſoon as the dexterity has been ſufficiently encouraged, and that abundance of excellent maſters are provided, then the ſtateſman ought to multiply the number of ſcholars; and a new generation muſt be brought up in frugality, and in the enjoyment of the moſt moderate profits, in order to carry the plan into execution.

The ruling principle, therefore, which ought to direct a ſtateſman in this firſt ſpecies of trade, is to encourage the manufacturing of every branch of natural productions, by extending the home-conſumption of them; by excluding all competition with ſtrangers; by permitting the riſe of profits, ſo far as to promote dexterity and emulation in invention and improvement; by relieving the induſtrious of their work, as often as demand for it falls ſhort. And until it can be exported to advantage, it may be ex-

ported with loſs, at the expenſe of the public. To ſpare no expenſe in procuring the ableſt maſters in every branch of induſtry, nor any coſt in making the firſt eſtabliſhments; providing machines, and every other thing neceſſary or uſeful to make the undertaking ſucceed. To keep conſtantly an eye upon the profits made in every branch of induſtry; and ſo ſoon as he finds, that the real value of the manufacture comes ſo low as to render it exportable, to employ the hands, as above, and to put an end to theſe profits he had permitted only as a means of bringing the manufacture to its perfection. In proportion as the prices of every ſpecies of induſtry are brought down to the ſtandard of exportation in ſuch proportion does this ſpecies of trade loſe its original character, and adopt the ſecond.

2*do. Foreign trade* has been explained ſufficiently; the ruling principles of which are to baniſh luxury; to encourage frugality; to fix the loweſt ſtandard of prices poſſible; and to watch, with the greateſt attention, over the vibrations of the balance between work and demand. While this is preſerved, no internal vice can affect the proſperity of it. And when the natural advantages of other nations conſtitute a rivalſhip, not otherwiſe to be overcome, the ſtateſman muſt counterbalance theſe advantages, by the weight and influence of public money; and when this expedient alſo becomes ineffectual, foreign trade is at an end; and out of its aſhes ariſes the third ſpecies, which I call inland commerce.

3*tio.* The more general principles of *inland trade* have been occaſionally conſidered in the firſt book, and more particularly hinted at in the 15th chapter of this; but there are ſtill many new relations to be examined, which will produce new principles, to be illuſtrated in the ſubſequent chapters of this book. I ſhall, here only point out the general heads, which will ſerve to particularize and diſtinguiſh this third ſpecies of trade, from the two preceding.

Inland commerce, as here pointed out, is ſuppoſed to take place upon the total extinction of foreign trade. The ſtateſman muſt in ſuch a caſe, as in the other two ſpecies, attend to ſupplying the wants of the rich, in relieving the neceſſities of the poor, by the circulation of the equivalent as above; but as formerly he had it in his eye to wtch over the balance of work and demand, ſo now he muſt principally attend to the balance of wealth, as it vibrates between conſumers and manufacturers; that is, between the rich and the induſtrious. The effects of this vibration have been ſhortly pointed out, Chap. xv.

In conducting a foreign trade, his buſineſs was to eſtabliſh the loweſt ſtandard poſſible as to prices; and to confine profits within the narroweſt bounds: but as now there is no queſtion of exportation, this object of his care in a great meaſure diſappears; and high profits made by the induſtrious will have then no other effect than to draw the balance of wealth more ſpeedily to their ſide. The higher the profits, the more quickly will the induſtrious be enriched, the more quickly will the conſumers become poor, and

the more neceſſary will it become to cut off the nation from every foreign communication in the way of trade.

From this political ſituation of a ſtate ariſes the fundamental principle of taxation; which is, *that, at the time of the vibration of the balance between the conſumer and the manufacturer, the ſtate ſhould advance the diſſipation of the firſt, and ſhare in the profits of the latter.* This branch of our ſubject I ſhall not here anticipate; but I ſhall, in the remaining chapters of this book, make it ſufficiently evident, that ſo ſoon as the wealth of a ſtate becomes conſiderable enough to introduce luxury, to put an end to foreign trade, and from the exceſſive riſe of prices to extinguiſh all hopes of reſtoring it, then taxes become neceſſary, both for preſerving the government on the one hand, and on the other, to ſerve as an expedient for recalling foreign trade in ſpite of all the pernicious effects of luxury to extinguiſh it.

I hope from this ſhort recapitulation and expoſition of principles, I have ſufficiently communicated to my reader the diſtinctions I wanted to eſtabliſh, between what I have called infant, foreign, and inland trade. Such diſtinctions are very neceſſary to be retained; and it is proper they ſhould be applied in many places of this treatiſe, in order to qualify general propoſitions: theſe cannot be avoided, and might lead into error, without a perpetual repetition of ſuch reſtrictions, which would tire the reader, appear frivolous to him, perhaps, and divert his attention.

I only add, that we are not to ſuppoſe the commerce

of any nation reſtricted to any one of the three ſpecies. I have conſidered them ſeparately, according to cuſtom, in order to point out their different principles. It is the buſineſs of ſtateſmen to compound them according to circumſtances.

CHAP. XX.

Of Luxury.

MY reader may perhaps be ſurpriſed to find this ſubject formally introduced, after all I have ſaid of it in the firſt book, under a definition which renders the term ſufficiently clear, by diſtinguiſhing it from ſenſuality and exceſs; and by confining it to *the providing of ſuperfluities, in favor of a conſumption*, which neceſſarily muſt produce the good effects of giving employment and bread to the induſtrious.

The ſimple acceptation of the term, was the moſt proper for explaining the political effects of extraordinary conſumption. I cannot however deny, that the word *luxury* commonly conveys a more complex idea; and did I take no notice of this circumſtance, it might be thought that I had purpoſely reſtrained a general term to a particular acceptation, in order to lead to error, and to ſuppreſs the vicious influence of modern economy over the minds of mankind; which influence, if vicious, cannot fail to affect even their political happineſs.

My intention therefore, in this chapter, is to amuſe, and to ſet my ideas concerning luxury (in the moſt extenſive acceptation of the word) in ſuch an order, as firſt to vindicate the definition I have given of it, by ſhowing that it is a proper one; and ſecondly, to reconcile the ſentiments of thoſe who appear to combat one another, on a ſubject wherein all muſt agree, when terms are fully underſtood.

For this purpoſe I muſt diſtinguiſh *luxury* as it affects our different intereſts, by producing hurtful conſequences; from *luxury*, as it regards the moderate gratification of our natural or rational deſires. I muſt ſeparate objects which are but too frequently confounded, and analyze this complicated term, by ſpecifying the ideas it contains, under partial definitions.

The intereſts affected by luxury, I take to be four; 1*mo. the moral*, in ſo far as it does hurt to the mind 2*do. the phyſical*, as it hurts the body; the *domeſtic*, as it hurts the fortune; and the *political*, as it hurts the ſtate.

The natural deſires which proceed from our animal economy, and which are gratified by *luxury*, may be alſo reduced to four; viz. *hunger*, *thirſt*, *love*, and *eaſe* or indolence. The moderate gratification of theſe deſires, and phyſical happineſs, is the ſame thing. The immoderate gratification of them is *exceſs*; and if this alſo be implied by *luxury*, no man, I believe, ever ſeriouſly became its apologiſt.

The firſt point to be explained, is what is to be underſtood by *exceſs*. What appears an exceſs to one man, may appear moderation to another.

I therefore meaſure the *exceſs* by the bad effects it produces on the *mind*, the *body*, the *fortune* and the *ſtate*: and when we ſpeak of *luxury* as a vice, it is requiſite to point out the particular bad effects it produces, to one, more, or all the intereſts which may be affected by it: when this is neglected, ambiguities enſue, which involve people in inextricable diſputes.

In order to communicate my thoughts upon this ſubject with the more preciſion, I ſhall give an example of the harm reſulting to the *mind*, the *body*, the *fortune*, and, the *ſtate*, from the exceſſive gratification of the ſeveral natural deſires above-mentioned.

1*mo.* As to the mind, *eating to exceſs* produces the inconvenience of rendering the perceptions dull, and of making a perſon unfit for ſtudy or application.

Drinking confounds the underſtanding, and often prevents our diſcovering the moſt palpable relations of things.

Love fixes our ideas too much upon the ſame object, makes all our purſuits and pleaſures analogous to it, and conſequently renders them trifling and ſuperficial.

Eaſe, that is, too great a fondneſs for it, deſtroys activity, damps our reſolutions, and miſleads the deciſions of our judgment on every occaſion, where one ſide of the queſtion implies an obſtacle to the enjoyment of a favorite indolence.

Theſe are examples of the evils proceeding from *luxury* in the moſt general acceptation of the term. While the gratification of thoſe deſires is accompanied by no ſuch inconveniencies, I think it is a proof, that

there has been no *moral exceſs*, or that no moral evil has been directly implied in the gratification. But I cannot equally determine, that there has been no luxury in the enjoyment of ſuperfluity.

2*do.* *The phyſical* inconveniencies which follow from all the four, terminate in the hurt they do the body, health or conſtitution. If no ſuch harm follows upon the gratification of our deſires, I find no *phyſical* evil: but ſtill *luxury*, I think, may be applied in every acceptation in which the term can be taken.

3*tio.* If the *domeſtic* inconveniences of the four ſpecies be examined, they all centre in one, viz. the diſſipation of fortune, upon which depends the future eaſe of the proprietor, and the well-being of his poſterity. When *luxury* is examined with reſpect to this object, the idea we conceive of it admits of a new modification. An *exceſs* here, is compatible with a very moderate gratification of our moſt natural deſires. It is not *eating*, nor *drinking*, *love*, nor *indolence* which are hurtful to the fortune, but the expenſe attending ſuch gratifications. All theſe are frequently indulged even to *exceſs*, in a *moral* and *phyſical* ſenſe, by people who are daily becoming more wealthy by theſe very means.

4*to* Some *political* inconveniencies of *luxury* have been already pointed out. The extinction of foreign trade is the moſt ſtriking. But the loſs of trade, conveys no ideas of any *moral*, *phyſical*, or *domeſtic exceſs*; and ſtill it is vicious in ſo far as it affects the well-being of a ſtate. Beſides this particular evil, I very willingly agree, that in as far as the good government of a ſtate depends upon the application and capacity, as well as the integrity of thoſe who ſit at the helm, or who are employ-

ed in the adminiſtration, or direction of public affairs, in ſo far may the moral inconveniencies of *luxury* mentioned above, affect the proſperity of a ſtate. The conſequences of *exceſſive luxury*, *moral* and *phyſical*, as well as the diſſipation of private fortunes, may render both the ſtateſman, and thoſe whom he employs, negligent in their duty, unfit to diſcharge it, rapacious and corrupt. Theſe may, indirectly, be reckoned among the *political* evils attending *luxury*, in ſo far as they take place. But on the other hand, as they cannot be called the *neceſſary effects* of the *cauſe* to which they are here aſcribed, that is, to *moral*, *phyſical*, and *domeſtic luxury*, I do not think they can with propriety be implied in the definition of the term. They are rather to be attributed to the imperfection of the human mind, than to any other ſecond cauſe, which might occaſionally contribute to their production. They may proceed from *avarice*, as well as from *prodigality*.

I hope this ſhort expoſition of a matter, not abſolutely falling within the limits of my ſubject, will ſuffice to prove that my definition of *luxury*, deſcribes at leaſt the moſt eſſential requiſite towards determining it: *the providing of ſuperfluity with a view to conſumption*. This is inſeparable from our ideas of *luxury*; but vicious *exceſs* certainly is not. A ſober man may have a moſt delicate table, as well as a glutton; and a virtuous man may enjoy the pleaſures of love and eaſe with as much ſenſuality as Heliogabalus. But no man can become luxurious, in our acceptation of the word, without giving bread to the induſtrious, without encouraging emulation, induſtry, and agriculture; and without producing the circulation

of an adequate equivalent for every ſervice. This laſt is the palladium of liberty, the fountain of gentle dependence, and the agreeable band of union among free ſocieties.

Let me therefore conclude my chapter, with a metaphyſical obſervation. The uſe of words, is to expreſs ideas; the more ſimple any idea is, the more eaſy it is to convey it by a word. Whenever, therefore, language furniſhes ſeveral words, which are called *ſynonymous*, we may conclude, that the idea conveyed by them is not ſimple. One every ſuch occaſion, it is doing a ſervice to learning, to render them as little ſynonymous as poſſible, and to point out the particular differences between the ideas they convey.

Now as to the point under conſideration. I find the three terms, *luxury*, *ſenſuality*, and *exceſs*, generally conſidered in a ſynonymous light, notwithſtanding the characteriſtic differences which diſtinguiſh them. *Luxury conſiſts in providing the objects of ſenſuality, in ſo far as they are ſuperfluous. Senſuality* conſiſts *in the actual enjoyment of them*; and *exceſs* implies *an abuſe of enjoyment.* A perſon, therefore, according to theſe definitions, may be very *luxurious* from vanity, pride, oſtentation, or with a political view of encouraging conſumption, without having a turn for ſenſuality, or a tendency to fall into exceſs. *Senſuality*, on the other hand, might have been indulged in a Lacedemonian republic, as well as at the court of Artaxerxes.

Exceſs, indeed, ſeems more cloſely connected with *ſenſuality*, than with *luxury*; but the difference is ſo great that I apprehend *ſenſuality* muſt in a great meaſure be extinguiſhed, before *exces* can begin

CHAP.

CHAP. XXI.

Of Phyſical and Political Neceſſaries.

AFTER having cleared up our ideas concerning *luxury*, it comes very naturally in, to examine what is meant by *phyſical-neceſſary*.

I have obſerved in the third chapter of the firſt book, that in moſt countries where food is limited to a determined quantity, inhabitants are fed in a regular progreſſion down from plenty and ample ſubſiſtence, to the laſt period of want, and dying from hunger. *It is ample ſubſiſtence where no degree of ſuperfluity is implied*, which communicates an idea of the *phyſical-neceſſary*. It is the top of this ladder; it is the firſt rank among men who enjoy no ſuperfluity whatſoever. A man enjoys the phyſical-neceſſary as to food, when he is fully fed; if he is likewiſe ſufficiently clothed, and well defended againſt every thing which may hurt him, he enjoys his full phyſical-neceſſary. The moment he begins to add to this, he may be conſidered as moving upwards into another category, to wit, the claſs of the *luxurious*, or conſumers of ſuperfluity; of which there are to be found, in moſt countries, as many ſtages upward, as there are ſtages downwards, from where he ſtood before. This is one general idea of the queſtion. Let me now look for another.

If we examine the ſtate of many animals which have no appetites leading them to exceſs, we may form a very juſt idea of a *phyſical-neceſſary* for man.

When they are free from labor, and have food at will, they enjoy their full phyſical-neceſſary. They are then in the height of beauty, and enjoy the greateſt degree of happineſs they are capable of. Animals which are forced to labor, prove to us very plainly, that this *phyſical-neceſſary* is not fixed to a point, but that it may vary like moſt other things: every one perceives the difference between laboring cattle which are well fed, and thoſe which are middling, or ill fed; all however, I ſuppoſe to live in health, and to work according to their ſtrength. This repreſents the nature of a *phyſical-neceſſary* for man.

In many of the inferior claſſes in every nation, we find various degrees of eaſe among the individuals; and yet upon the whole, it would be hard to determine, which are thoſe who enjoy ſuperfluity; which are thoſe who poſſeſs the pure phyſical-neceſſary; and which are thoſe who fall below it. The cauſe of this ambiguity muſt here be explained.

The nature of man furniſhes him with ſome deſires relative to his wants, which do not proceed from his animal economy, but which are entirely ſimilar to them in their effects. Theſe proceed from the affections of his mind, are formed by habit and education, and, when once *regularly eſtabliſhed*, create another kind of neceſſary, which, for the ſake of diſtinction, I ſhall call *political*. The ſimilitude between theſe two ſpecies of *neceſſary*, is therefore the cauſe of ambiguity.

This *political neceſſary* has for its object, certain articles of *phyſical ſuperfluity*, which diſtinguiſhes what we call *rank* in ſociety.

Rank is determined by birth, education, or habit. A man with difficulty ſubmits to deſcend from a higher way of living to a lower; and when an accidental circumſtance has raiſed him for a while, above the level of that *rank* where his *birth* or *education* had placed him, his ambition prompts him to ſupport himſelf in his elevation. If his attempt be a rational ſcheme, he is generally approved of; the common conſent of his fellow-citizens preſcribes a certain *political-neceſſary* for him, proportioned to his ambition; and when at any time *this* comes to fail, he is conſidered to be in want.

If on the other hand, a perſon either from vanity, or from no rational proſpect of ſucceſs, forms a ſcheme of riſing above the *rank* where *birth* or *education* had placed him, his fellow-citizens do not conſent to preſcribe for him a political-neceſſary ſuitable to his ambition; and when this fails him, he is only conſidered to fall back into the claſs he properly belonged to. But if the political-neceſſary ſuitable to this rank ſhould come to fail, then he is ſuppoſed to be deprived of his *political-neceſſary*.

The meaſure of this laſt ſpecies of *neceſſary*, is determined only by general opinion, and therefore can never be aſcertained juſtly; and as this opinion may have for its object even thoſe who are below the level of the *phyſical-neceſſary*; it often happens, that we find great difficulties in determining its exact limits.

It may appear abſurd, to ſuppoſe that any one can enjoy *ſuperfluity* (which we have called the characteriſtic of *political-neceſſary*) to whom any part of the *phyſical-neceſſary* is found wanting. However

abſurd this may appear, nothing, however, is more common among men, and the reaſon ariſes from what has been obſerved above. The deſires which proceed from the affections of his mind, are often ſo ſtrong, as to make him comply with them at the expenſe of becoming incapable of ſatisfying that which his animal economy neceſſarily demands.

From this it happens, that however eaſy it may be to conceive an accurate idea of a phyſical-neceſſary for *animals*, nothing is more difficult, than to preſcribe the proper limits for it with regard to *man*.

This being the caſe, let us ſuppoſe the condition of thoſe who enjoy but little ſuperfluity, and who fill the lower claſſes of the people, to be diſtinguiſhed into three denominations; to wit, the higheſt, middle, and loweſt degree of phyſical-neceſſary; and then let us aſk, how we may come to form an eſtimation as to the reſpective value of the conſumption implied in each, in order to determine the minimum as to the profits upon induſtry. This queſtion is of great importance; becauſe we have ſhown that the proſperity of foreign trade depends on the cheapneſs of manufacturing; and this again depends on the price *of living*, that is of the phyſical-neceſſary for manufacturers.

One very good method of eſtimating the value of the total conſumption implied by this neceſſary quantity, is to compute the expenſe of thoſe who live in communities, ſuch as in hoſpitals, work-houſes, armies, convents, according to the different degrees of eaſe, ſeverally enjoyed by thoſe who compoſe them. In running over the few articles

of expenſe in ſuch eſtabliſhments, it will be eaſy to diſcern between thoſe, which relate to the ſupply of the phyſical, and thoſe which relate to the ſupply of the political-neceſſary: ammunition-bread is an example of the firſt; a Monk's hood and long ſleeves, are a ſpecies of the latter.

When once the real value of a man's ſubſiſtence is found, the ſtateſman may the better judge of the degree of eaſe, neceſſary or expedient for him to allow to the ſeveral claſſes of the laborious and ingenious inhabitants.

As we have divided this phyſical-neceſſary into three degrees; the *higheſt*, *middle*, and *loweſt*; the next queſtion is, which of the three degrees is the moſt expedient to be eſtabliſhed, as the ſtandard value of the induſtry of the very loweſt claſs of a people.

I anſwer, that in a ſociety, it is requiſite that the individual of the moſt puny conſtitution for labor and induſtry, and of the moſt ſlender genius for works of ingenuity, having no natural defect, and enjoying health, ſhould be able by a labor proportioned to his force, to gain the *loweſt* degree of the phyſical-neceſſary; for in this caſe, by far the greateſt part of the induſtrious will be found in the ſecond claſs, and the ſtrong and healthy all in the firſt.

The difference between the higheſt claſs and the loweſt, I do not apprehend to be very great. A ſmall quantity added to what is barely ſufficient, makes enough: but this *ſmall quantity* is the moſt difficult to acquire, and this is the moſt powerful ſpur to induſtry. The moment a perſon begins to live by his induſtry, let his livelihood be ever

ſo poor, he immediately forms little objects of ambition; compares his ſituation with that of his fellows who are a degree above him, and conſiders a ſhade more of eaſe, as I may call it, as an advancement, not only of his happineſs, but of his rank.

There are ſtill more varieties to be met with among thoſe who are confined to the ſphere of the phyſical-neceſſary. The labor of a ſtrong man ought to be otherwiſe recompenſed than that of a puny creature. But in every ſtate there is found labor of different kinds, ſome require more, and ſome leſs ſtrength, and all muſt be paid for; but as a weakly perſon does not commonly require ſo much nouriſhment as the ſtrong and robuſt, the difference of his gains may be compenſated by the ſmalneſs of his conſumption.

What we mean by the *firſt claſs* of the phyſical-neceſſary, is when a perſon gains wherewithal to be well fed, well clothed, and well defended againſt the injuries of heat and cold, without any ſuperfluity. This I ſay, a ſtrong healthy perſon ſhould be able to gain by the exerciſe of the loweſt denominations of induſtrious labor, and that without a poſſibility of being deprived of it, by the competition of others of the ſame profeſſion.

Could a method be fallen upon to prevent competition among induſtrious people of the ſame profeſſion, the moment they come to be reduced within the limits of the *phyſical-neceſſary*, it would prove the beſt ſecurity againſt decline, and the moſt ſolid baſis of a laſting proſperity.

But as we have obſerved in the firſt book, the thing is impoſſible, while marriage ſubſiſts on the preſent footing. From this one circumſtance, the condition of the induſtrious of the ſame profeſſion, is rendered totally different. Some are loaded with a family, others are not. The only expedient, therefore, for a ſtateſman, is to keep the general principles conſtantly in his eye, to deſtroy this competition as much as he can, at leaſt in branches of exportation; to avoid, in his adminiſtration, every meaſure which may tend to promote it, by conſtituting a particular advantage in favor of ſome individuals of the ſame claſs; and if the management of public affairs, neceſſarily implies ſuch inconveniencies, he muſt find out a way of indemnifying thoſe who ſuffer by the competition.

We may therefore, in this place, lay down two principles: Firſt, that no competition ſhould be *encouraged* among thoſe who labor for a *phyſical-neceſſary*; ſecondly, that in a ſtate which flouriſhes by her foreign trade, competition is to be encouraged in every branch of exportation, until the competitors have reduced one another within the limits of that neceſſary.

Farther, I muſt obſerve, that this *phyſical-neceſſary* ought to be the higheſt degree of eaſe, which any one ſhould be able to acquire with labor and induſtry, where no peculiar ingenuity is required. This alſo is a point deſerving the attention of a ſtateſman. How frequently do we find, in great cities, different employments, ſuch as carrying of water, and other burdens, ſawing of wood, &c. erected into confraternities, which prevent competition, and raiſe profits

beyond the ſtandard of the *phyſical-neceſſary* This, I apprehend, is a diſcouragement to ingenuity, and has the bad effect of rendering living dear, without anſwering any one of the intentions of eſtabliſhing corporations, as ſhall be ſhown in another place. The *phyſical-neceſſary*, therefore, ought to be the reward of *labor* and *induſtry*; whatever any workman gains above this ſtandard, ought to be in conſequence of his ſuperior *ingenuity*.

It is not at all neceſſary to preſcribe the limits between theſe two claſſes; they will ſufficiently diſtinguiſh themſelves by the ſimple operation of competition. Let a particular perſon fall upon an ingenious invention, he will profit by it, and riſe above the lower claſſes which are confined to the phyſical-neceſſary; but if the invention be ſuch as may be eaſily copied, he will quickly be rivalled to ſuch a degree as to reduce his profits within the bounds of that *phyſical-neceſſary*; ſo ſoon as this comes to be the caſe, his *ingenuity* diſappears, becauſe it ceaſes to be *peculiar* to him.

Here ariſes a queſtion: whence does it happen that certain workmen avoid this competition, and make conſiderable gains by their employment, while others are rivalled in their endeavours to retain a bare phyſical-neceſſary?

There is a combination of ſeveral cauſes to operate theſe effects, which we ſhall examine ſeparately; leaving to the reader to judge, how far the combination of them may extend profits beyond the phyſical-neceſſary.

I. We have ſaid (chap. 9.) that the value of a work-

man's labor is determined from the quantity performed, in general, by thoſe of his profeſſion, neither ſuppoſing them the beſt nor the worſt, nor as having any advantage or diſadvantage, from the place of their abode. A workman, therefore, who, to an extraordinary dexterity, joins the advantages of place, muſt gain more than another.

II. We have often remarked, that competition between workmen of the ſame profeſſion, diminiſhes the profits upon labor. From this it follows, that in ſuch arts where the leaſt competition is found, there muſt be the largeſt profits. Now ſeveral circumſtances prevent competition. Firſt. An extraordinary dexterity in any art, and eſpecially in thoſe where the whole excellency depends upon great exactneſs, ſuch as watch-making, painting of all kinds, making mathematical inſtruments, and the like; all which ſet a celebrated artiſt in a manner above a poſſibility of rivalſhip, and make him the maſter of his price, as experience ſhows. 2d. The difficulty of acquiring the dexterity requiſite, reſulting both from the time and money neceſſary to be ſpent in apprenticeſhip, proves a plain obſtacle to a numerous competition. Few there are, who having the ſtock ſufficient to defray the loſs of ſeveral years fruitleſs application, have alſo the turn neceſſary to lead them to that particular branch of ingenuity. 3d. Many there are, who have ſkill and capacity ſufficient to enter into competition, but are obliged to work for others, becauſe of the expenſive apparatus of inſtruments, machines, lodging, and many other things neceſſary for ſetting out as a maſter in the art. Theſe, and ſimilar

cauſes, prevent competition, and ſupport large profits. 4th. Maſters increaſe their profits greatly by ſharing that of their journeymen: this ſhare, the firſt have a juſt title to from the conſtant employment they procure for the latter; and the certainty theſe have of gaining their *phyſical-neceſſary*, together with a profit proportional to their dexterity, makes them willing to ſhare with their maſter. The 5th cauſe of conſiderable gains, and the laſt I ſhall mention, is the moſt effectual of all, viz. great economy, and parſimonious living. In proportion to the concurrence and combination of theſe circumſtances, the fortune of the artiſt will increaſe, which is the anſwer to the firſt part of the queſtion propoſed.

We are next to inquire how it happens that many induſtrious people are rivalled in an induſtry which brings no more than a bare phyſical-neceſſary. This proceeds from ſome diſadvantage either in their perſonal or political ſituation. In their perſonal ſituation, when they are loaded with a numerous family, interrupted by ſickneſs, or other accidental avocations. In their political ſituation, when they happen to be under a particular ſubordination from which others are free, or loaded with taxes which others do not pay.

I ſhall only add, that in computing the value of the *phyſical-neceſſary* of the loweſt denomination, a juſt allowance muſt be made for all interruptions of labor: no perſon can be ſuppoſed to work every free day; and the labor of the year muſt defray the expenſe of the year. This is evident. Farther, neither humanity, or policy, that is the intereſt of a ſtate, can ſuggeſt a rigorous economy upon this eſſential

quantity. If the great abuſes upon the price of labor are corrected, thoſe which remain imperceptible to the public eye, will prove no diſadvantage to exportation; and as long as this goes on with ſucceſs, the ſtate is in health and vigor. Exportation *of work* is another pulſe of the political body.

CHAP. XXII.

Preliminary Reflections upon inland Commerce.

I RESUME the ſubject, which, as a reſt to the mind, I dropt at the end of the 19th chapter.

I am to treat directly of inland commerce, which has been ſufficiently diſtinguiſhed from infant, and foreign trade.

We are to conſider ourſelves now as tranſported into a new country. Here foreign trade has been carried to the greateſt height poſſible; but the luxury of the inhabitants, the careleſſneſs, perhaps, of the ſtateſman, and the natural advantages of other nations, added to the progreſs of their induſtry and refinement, have concurred to cut this branch off, and thereby to dry up the ſource which had conſtantly been augmenting national opulence.

We muſt examine the natural effects of this revolution; we muſt point out how every inconvenience may be avoided, and how a ſtateſman may regulate his conduct, ſo as to prevent the exportation of any part of that wealth which the nation may have heaped

up within herſelf, during the proſperity of her foreign trade. How he may keep the whole of his people conſtantly employed, and by what means he may promote an equable circulation of domeſtic wealth, as an adequate equivalent given by the rich, for ſervices rendered them by the induſtrious poor. How, by a judicious impoſition of taxes, he may draw together an equitable proportion of every man's annual income, without reducing any one below the ſtandard of a full phyſical-neceſſary. How he may, with this public fund, preſerve in vigor every branch of induſtry, and be enabled alſo, by the means of it, to profit of the ſmalleſt revolution in the ſituation of other nations, ſo as to re-eſtabliſh the foreign trade of his own people. And laſtly, how the ſociety may be thereby ſufficiently defended againſt foreign enemies, by a body of men regularly ſupported and maintained at the public charge, without occaſioning any ſudden revolution hurtful to induſtry, either when it becomes neceſſary to increaſe their numbers, in order to carry on an unavoidable war, or to diminiſh them, upon the return of peace and tranquillity. This is, in few words, the object of a ſtateſman's attention when he is at the head of a people living upon their own wealth, without any mercantile connexions with ſtrangers.

However hurtful the natural and immediate effects of political cauſes may have been formerly, when the mechaniſm of government was leſs compounded than at preſent, they are now brought under ſuch reſtrictions, by the complicated ſyſtem of modern

economy, that the evil which might otherwiſe reſult, is guarded againſt with eaſe.

As often, therefore, as we find a notable prejudice reſulting to a ſtate, from a change of their circumſtances, *gradually taking place*, we may ſafely conclude, that negligence, or want of abilities, in thoſe who have the direction of public affairs, has more than any other cauſe been the occaſion of it.

It was obſerved, in the third chapter of the firſt book, that before the introduction of modern economy, which is made to ſubſiſt by the means of taxes, a ſtate was ſeldom found to be intereſted in watching over the actions of the people. They bought and ſold, transferred, tranſported, modified, and compounded productions and manufactures, for public uſe, and private conſumption, juſt as they thought fit. Now it is preciſely in theſe operations that a modern ſtate is chiefly intereſted; becauſe proportional taxes are made to affect a people on every ſuch occaſion.

The intereſt the ſtate has in levying theſe impoſitions, gives a ſtateſman an opportunity of laying ſuch operations under certain reſtrictions; by the means of which, upon every change of circumſtances, he can produce the effect he thinks fit. Do the people buy from foreigners what they can find at home, he impoſes a duty upon importation. Do they ſell what they ought to manufacture, he ſhuts the gates of the country. Do they transfer or tranſport at home, he accelerates or retards the operation, as beſt ſuits the common intereſt. Do they modify or compound what the public good requires

to be conſumed in its ſimple ſtate, he can either prevent it by a poſitive prohibition, or he may permit ſuch conſumption to the more wealthy only, by ſubjecting it to a duty.

So powerful an influence over the operations of a whole people, veſts an authority in a modern ſtateſman, which was unknown in former ages, under the moſt abſolute governments. We may diſcover the effects of this, by reflecting on the force of ſome ſtates, at preſent, in Europe, where the ſovereign power is extremely limited, as to every *arbitrary* exerciſe of it, and where, at the ſame time, that very power is found to operate over the wealth of the inhabitants, in a manner far more efficacious than the moſt deſpotic and arbitrary authority can poſſibly do.

It is the order and regularity in the adminiſtration of the complicated modern economy, which alone can put a ſtateſman in a capacity to exert the whole force of his people. The more he has their actions under his direction, the eaſier it is for him to make them concur in advancing the general good.

Here it is objected, that any free people who inveſt a ſtateſman with a power to control their moſt trivial actions, muſt be out of their wits, and conſidered as ſubmitting to a voluntary ſlavery of the worſt nature, as it muſt be the moſt difficult to be ſhaken off. This I agree to; ſuppoſing the power veſted to be of an arbitrary nature, ſuch as we have deſcribed in the thirteenth chapter of this book. But while the legiſlative power is only exerted in acquiring an influence over the actions of individuals,

in order to promote a ſcheme of political economy, uniform and conſiſtent in all its parts, the conſequence will be ſo far from introducing ſlavery among the people, that the execution of the plan will prove abſolutely inconſiſtent with every arbitrary or irregular meaſure.

The power of a modern Prince, let him be, by the conſtitution of his kingdom, ever ſo abſolute, becomes immediately limited ſo ſoon as he eſtabliſhes the plan of economy which we are endeavouring to explain. If his authority formerly reſembled the ſolidity and force of the wedge, which may indifferently be made uſe of, for ſplitting of timber, ſtones, and other hard bodies, and which may be thrown aſide and taken up again at pleaſure; it will at length come to reſemble the watch, which is good for no other purpoſe than to mark the progreſſion of time, and which is immediately deſtroyed, if put to any other uſe, or touched by any but the gentleſt hand.

As modern economy, therefore, is the moſt effectual bridle ever invented againſt the folly of deſpotiſm; ſo the wiſdom of ſo great a power ſhines no where with greater luſtre, than when we ſee it exerted in planning and eſtabliſhing this economy, as a bridle againſt the wanton exerciſe of power in ſucceeding generations. I leave it to my reader to ſeek for examples in the conduct of our modern Princes, which may confirm what, I think, reaſon ſeems to point out: were they leſs ſtriking, I might be tempted to mention them.

The part of our ſubject we are now to treat of, will preſent us with a ſyſtem of political economy, ſtill

more complicated than any thing we have hitherto met with.

While foreign trade flouriſhes and is extended, the wealth of a nation increaſes daily; but her force is not ſo eaſily exerted, as after this wealth begins to circulate more at home, as we ſhall eaſily ſhow. But, on the other hand, the force ſhe exerts is much more eaſily recruited. In the firſt caſe, her frugality enables her to draw new ſupplies out of the coffers of her neighbours; in the laſt, her luxury affords a reſource from the wealth of her own citizens.

In opening my chapter, I have introduced my reader into a new country; or indeed I may ſay, that I have brought him back into the ſame which we had under our conſideration in the firſt book.

Here luxury and ſuperfluous conſumption will ſtrike his view almoſt at every ſtep. He will naturally compare the ſyſtem of frugality, which we have diſmiſſed, with that of diſſipation, which we are now to take up; and we may very naturally conclude, that the introduction of the latter, muſt prove a certain forerunner of deſtruction. The examples found in hiſtory of the greateſt monarchies being broken to pieces, ſo ſoon as the taſte of ſimplicity was loſt, ſeem to juſtify this conjecture. It is, therefore, neceſſary to examine circumſtances a little, that we may compare, in this particular alſo, the economy of the ancients with our own; in order to diſcover whether the introduction of luxury be as hurtful at preſent, as it formerly proved to thoſe ſtates which made ſo great a figure in the world; and which now are only known from hiſtory, and judged of, from the few

ſcattered

ſcattered ruins which remain to bear teſtimony of their former greatneſs.

Luxury is the child of wealth; and wealth is acquired by ſtates, as by private people, either by a lucrative, or by an onerous title, as the civilians ſpeak. The lucrative title, by which a ſtate acquires, is either by rapine, or from her mines; the onerous title, or that for a valuable conſideration, is by induſtry.

The wealth of the ancient monarchs of Babylon, Perſia, Greece, and Rome, was the effect of rapine; whereas induſtry enriched the cities of Sydon, Tyre, Carthage, Athens, and Alexandria. The luxury of the firſt, proved the ruin of the luxurious; the luxury of the laſt, advanced their grandeur: becauſe they had no rivals to take advantage of the natural effects of this luxury, in cutting off the profits of foreign trade. Peace was as hurtful to the plunderers, as war was deſtructive to the induſtrious.

When an empire was at war, its wealth was thereby made to circulate for an equivalent in ſervices performed. So ſoon as peace was reſtored, every one returned, as it were, to a ſtate of ſlavery The monarch then poſſeſſed himſelf of all the wealth, and diſtributed it by caprice. Fortunes were made in an inſtant, and no body knew how: they were loſt again by tranſitions equally violent and ſudden. The luxury of thoſe days was attended with the moſt exceſſive oppreſſion. Extraordinary conſumption was no proof of the circulation of any adequate equivalent in favor of the induſtrious: it had not the effect of giving bread to the poor, nor of proportionally

diminiſhing the wealth of the rich. The great conſtantly remained great; and the more they were prodigal, the more the ſmall were brought into diſtreſs. In one word, luxury had nothing to recommend it, but that quality which *ſolely* conſtitutes the abuſe of it in modern times; to wit, the exceſſive gratification of the paſſions of the great, which frequently brought on the corruption of their manners.

When ſuch a ſtate became luxurious, public affairs were neglected; becauſe it was not from a right adminiſtration that wealth was to be procured. War, under ſuch circumſtances, worked effects almoſt ſimilar to the ſpringing up of induſtry in modern times; it procured employment, and this produced a more regular circulation, as has been ſaid.

On the other hand, the wealth and luxury of the trading cities abovementioned, which was of the ſame ſpecies with that of modern times, proceeded from the alienation of their work; that is, from their induſtry. Nothing was gained for nothing, and when they were forced to go to war, they found themſelves obliged either to diſſipate their wealth, by hiring troops, or to abandon the reſources of it, the labor of their induſtrious citizens. Thus the punic wars exalted the grandeur of plundering Rome, and blotted out the exiſtence of induſtrious Carthage. I do not here pretend to vindicate the juſtneſs of theſe reflections in every circumſtance, and it is foreign to my preſent purpoſe to be more particular; all I ſeek for, is to point out the different effects of luxury in ancient and modern times.

Ancient luxury was quite *arbitrary*; conſequently could be laid under no limitations, but produced

the worſt effects, which *naturally* and *mechanically* could proceed from it.

Modern luxury is *ſyſtematical*, it cannot make one ſtep, but at the expenſe of an adequate equivalent, acquired by thoſe who ſtand the moſt in need of the protection and aſſiſtance of their fellow-citizens; and without producing a vibration in the balance of their wealth. This balance is in the hands of the ſtateſman, who may receive a contribution upon every ſuch vibration. He has the reins in his hand, and may turn, reſtrain, and direct the luxury of his people, towards whatever object he thinks fit.

Luxury here is ſo far from drawing on a neglect of public affairs, that it requires the cloſeſt application to the adminiſtration of them, in order to ſupport it. When theſe are neglected, the induſtrious will be brought to ſtarve, conſumption will diminiſh; that is, luxury will inſenſibly diſappear, and hoarding will ſucceed it. Theſe and ſimilar conſequences will undoubtedly take place, and *mechanically* follow one another, when a ſkilful hand is not applied to prevent them.

It is impoſſible not to perceive the advantages of ſupporting a flouriſhing inland trade, after the extinction of foreign commerce. By ſuch means elegance of taſte, and the polite arts, may be carried to the higheſt pitch. The whole of the inhabitants may be employed in working and conſuming; all may be made to live in plenty and in eaſe, by the means of a ſwift circulation, which will produce a reaſonable equality of wealth among all the inhabitants. Luxury can never be the cauſe of inequality. Hoarding and

parſimony form great fortunes, luxury diſſipates them and reſtores equality.

Such a ſituation would ſurely be of all others the moſt agreeable, and the moſt advantageous, were all mankind collected into one ſociety, or were the country where it is eſtabliſhed cut off from every communication with other nations.

The balance between work and demand would then only influence the balance of wealth among individuals. If hands became ſcarce, the balance would turn the quicker in favor of the laborious, and the idle would grow poor. If hands became too plentiful (which indeed is hardly to be expected) every thing would be bought the cheaper; but the ſame quantity of wealth would ſtill remain without any diminution.

Where is, therefore, the great advantage of foreign trade?

I anſwer by putting another queſtion. Where is the great advantage of a perſon's making a large fortune in his own country? A man of a ſmall eſtate may, no doubt, be as happy as another with a great one; and the ſame thing would be true of nations, were all equally inſpired with a ſpirit of peace and juſtice; or were they ſubordinate to a higher temporal power, which could protect the weak againſt the violence and injuſtice of the ſtrong.

It is, therefore, the ſeparate intereſts of nations who incline to communicate together, and conſume of one another's commodities, which renders the conſideration of the principles of trade, a matter of great importance.

While nations contented themſelves with their own

productions, while the difference of their cuſtoms, and contraſt of their prejudices were great, the connexions between them were not very intimate.

From this proceeds the great diverſity of languages and dialects. When a traveller finds a ſudden tranſition from one language to another, or from one dialect to another, it is a proof that the manners of ſuch people have been long different, and that they have had little communication with one another. On the contrary, when dialects change by degrees, as in the provinces of the ſame country, it is a proof that there has been no great repugnancy in their cuſtoms. In like manner, when we find ſeveral languages, at preſent different, but plainly deriving from the ſame ſource, we may conclude, that there was a time when ſuch nations were connected by correſpondence, or that the language has been tranſplanted from one to the other, by the migration of colonies. But I inſenſibly wander from my ſubject.

I have ſaid, that when nations contented themſelves with their own productions, connexions between them were not very intimate. While trade was carried on by the exchange of conſumable commodities, this operation alſo little intereſted the ſtate: conſumption then was equal on both ſides; and no balance was found upon either. But ſo ſoon as the precious metals became an object of commerce, and when, by being rendered an univerſal equivalent for every thing, it became alſo the meaſure of power between nations, then the acquiſition, or at leaſt the preſervation of a proportional quantity of it, became, to the more prudent, an object of the laſt importance.

We have ſeen how a foreign trade, well conducted, has the neceſſary effect of drawing wealth from all other nations. We have ſeen in what manner the benefit reſulting from this trade, may come to a ſtop, and how the balance of it may come round to the other ſide. We are now to examine how the ſame prudence which ſet foreign trade on foot, and ſupported it as long as poſſible, may guard againſt a ſudden revolution, and at the ſame time put an effectual ſtop to it; to the end that a nation enriched by commerce may not by blindly or mechanically carrying it on, when the balance is againſt her, fall into thoſe inconveniencies which other nations muſt have experienced during her proſperity.

CHAP. XXIII.

When a Nation, which has enriched herſelf by a reciprocal Commerce in Manufactures with other Nations, finds the Balance of Trade turn againſt her, it is her Intereſt to put a Stop to it altogether.

TRADE having ſubſiſted long in the nation we are now to keep in our eye, I ſhall ſuppoſe that, through length of time, her neighbours have learned to ſupply one article of their own and other peoples wants cheaper than ſhe can do. What is to be done? No body will buy from her, when they can be ſupplied from another quarter at a leſs price. I ſay, what is to be done? For if there be no check put upon trade, and if the ſtateſman do not interpoſe with the greateſt care, it is certain, that merchants will im-

port the produce, and even the manufactures of rival nations; the inhabitants will buy them preferably to their own; the wealth of the nation will be exported; and her induſtrious manufacturers will be brought to ſtarve. We may therefore look upon this, as a problem in trade, to be reſolved by the principles already eſtabliſhed.

Firſt, then, it muſt be inquired, if, in the branch in which ſhe is underſold, her rivals enjoy a natural advantage above her, which no ſuperior induſtry, frugality, or addreſs on her ſide, can counterbalance? If this be the caſe, there are three different courſes to be purſued, according to circumſtances.

1mo. To renounce that branch of commerce entirely, and to take the commodities wanted from foreigners, as they can furniſh them cheaper.

2do. To prohibit the importation of ſuch commodities altogether.

3tio. To impoſe a duty upon importation, in order to raiſe the price of them ſo high as to make them dearer than the ſame kind of commodity produced at home.

The firſt courſe may be taken, if, upon examining how the hands employed in a manufacture may be diſpoſed of, it be found, that they may eaſily be thrown into another branch of induſtry, in which the nation's natural advantages are as ſuperior to her rivals, as their's are ſuperior to her's in the branch ſhe intends to abandon; and providing her neighbours will agree to open their ports to the free importation of the commodities in queſtion. For though there may be little profit in a trade by exchange, I ſtill think it

adviſeable to continue correſpondence, and to avoid every occaſion of cutting off commerce with other nations. A laborious, economical, and ſagacious nation, ſuch as I ſuppoſe our traders to be, will be able to profit of many circumſtances, which would infallibly turn to the diſadvantage of others leſs expert in commerce, with whom ſhe trades; and in expectation of favorable revolutions, ſhe ought not raſhly, nor becauſe of ſmall inconveniencies, to renounce trading with them; eſpecially if luxury ſhould appear there to be on the growing hand.

But ſuppoſe the rival nation will not conſent to receive the manufactures which the traders may produce with great natural advantages, what courſe then is the beſt to be taken?

I think ſhe ought to encourage the branch in which ſhe is rivalled, for her own conſumption, though, ſhe muſt give over exporting it; and, in this caſe, it muſt be examined, whether that trade with foreigners ſhould be prohibited altogether, (which is the ſecond courſe mentioned above) or whether it be more adviſeable to prefer the laſt ſcheme, viz to allow the commodities to be imported, with a duty which may raiſe their price to ſo juſt a height as neither to ſuffer them to be ſold ſo cheap as to diſcourage the domeſtic fabrication, nor dear enough to raiſe the profits of manufactures above a reaſonable ſtandard, in caſe of an augmentation of demand.

The ſecond courſe muſt be taken, when the natural advantages of the foreign nations are ſo great, as to oblige the ſtateſman to raiſe duties to ſuch a height as to give encouragement to ſmuggling.

The third courſe ſeems the beſt, when the advantages of the rivals are more inconſiderable; in which caſe, the traders, may, in time, and by the progreſs of luxury among their neighbours, or from other revolutions, which happen frequently in trading nations, regain their former advantages.

This may be a deciſion, in caſe a nation be rivalled in a branch where ſhe has not equal advantages with her naighbours; and when ſhe cannot compenſate this inconvenience, either by her frugality or induſtry, or by the means of a proper application of her national wealth. Theſe operations have been already fully explained, and are now conſidered as laid aſide; not that we ſuppoſe they can ever ceaſe to operate their effects in all nations, but in order to ſimplify our ideas, and to point out the principles which ought to direct a ſtateſman upon occaſions where he finds better expedients impracticable, from different combinations of circumſtances.

Let me next ſuppoſe a nation to be rivalled in her ſtaple manufactures; that is, in thoſe where ſhe has the greateſt natural advantages in her favor.

Whenever ſuch a caſe happens, it muſt proceed from ſome vice within the ſtate. Either from the progreſs of luxury in the workmen, which muſt proceed from conſolidated profits, or from accidental diſadvantage; ſuch as dearneſs of ſubſiſtence, or from taxes injudiciouſly impoſed. Theſe (I mean all, except the taxes, of which afterwards) muſt be removed upon the principles above laid down: and if this cannot be compaſſed, no matter why; then comes the fatal period, when all foreign reciprocal com-

merce in manufactures muſt be given up. For if no profit can be made upon branches where a nation has the greateſt natural advantages, it is more than probable, that every other branch will prove at leaſt equally diſadvantageous. If upon this revolution the ports of the nation be not ſhut againſt the importation of foreign manufactures, merchants will introduce them, and this will drain off the nation's wealth, and bring the induſtrious to ſtarve.

It is upon this principle that incorporations are eſtabliſhed. Of theſe we ſhall ſay a word, and conclude our chapter.

Cities and corporations, may be conſidered as nations where luxury and taxes have rendered living ſo expenſive, that work cannot be furniſhed but at a high rate. If labor, therefore, of all kinds, were permitted to be brought from the provinces, or from the country, to ſupply the demand of the capital and ſmaller corporations, what would become of tradeſmen and manufacturers who have their reſidence there? If theſe, on the other hand, were to remove beyond the liberties of ſuch corporations, what would become of the public revenue, collected in theſe little ſtates, as I may call them?

By the eſtabliſhment of corporations, a ſtateſman is enabled to raiſe high impoſitions upon all ſorts of conſumption; and notwithſtanding that theſe have the neceſſary conſequence of increaſing the price of labor, yet by other regulations, of which afterwards, the bad conſequences thereby reſulting to foreign trade may be avoided, and every article of exportation be prevented from riſing above the proper

ſtandard for making it vendible, in ſpite of all foreign competition.

The plan of modern taxation ſeems firſt to have been introduced into cities, while the country was ſubject to the barons, and remained in a manner quite free from them. Cities having obtained the privilege of incorporation, began, in conſequence of the power veſted in their magiſtrates, to levy taxes: and finding the inconveniences reſulting from external competition (foreign trade) they erected the different claſſes of their induſtrious into confraternities, or corporations of a lower denomination, with power to prevent the importation of work from their fellow tradeſmen not of the ſociety.

Here ariſes a queſtion.

Why are corporations complained of in many countries, as being a check upon induſtry; if the eſtabliſhment of them proceeds from ſo plain a principle as that here laid down?

Let me draw my anſwer from another queſtion. Why are they not complained of in all countries?

The difference between the ſituation of one country and another, will plainly point out the principle which ought to regulate the eſtabliſhment and government of corporations. When this is well underſtood, all diſputes concerning the general utility, or harm ariſing from them will be at an end: and the queſtion will be brought to the proper iſſue; to wit, their relative utility conſidered with reſpect to the actual ſituation of the country where they are eſtabliſhed. In one province a corporation will be found uſeful, in another juſt the contrary.

Firſt then it muſt be agreed, on all hands, that the principle laid down is juſt. No body ever advanced, that the induſtry carried on in *towns*, where living is dear, ought to ſuffer a competition with that of the *country*, where living is cheap; I mean for the direct conſumption of the citizens. But it may be advanced, that no ſubaltern corporation ſhould enjoy an excluſive privilege againſt thoſe who ſhare of every burden impoſed by the great corporation from which they draw their exiſtence. That they have no right of excluſion againſt citizens; but only againſt ſtrangers who are not under the ſame juriſdiction, nor liable to the ſame burdens. Here the diſpute lies between the members of the great corporation and thoſe of the ſmaller. Now, I ſay, while no other intereſt is concerned, the deciſion of this queſtion ought to be left to the corporation itſelf. But the moment the public good comes to be affected by certain privileges enjoyed by individuals, ſuch privileges ſhould either be aboliſhed, or put under limitations.

In countries where induſtry ſtands at a determined height, while the conſumption of cities neither augments nor diminiſhes; when thoſe who live upon an income acquired, live uniformly in the ſame way; when this regular conſumption is regularly ſupplied, by a certain number of citizens ſufficient to ſupply it; when the hands employed for this purpoſe are in a perfect proportion to the demand made upon them; in ſuch countries, I ſay, any diminution of the privileges of corporations would be a means of overturning the equal balance between work and demand.

We have ſaid above, that when hands become too

many for the work, profits fall below the neceſſary ſtandard of ſubſiſtence; that the induſtrious enter into competition for the phyſical-neceſſary, and hurt one another. Here then is the principle which the corporation ought to keep in their eye: the profits upon every trade ought to be in proportion to work.

In order to come the better at the knowledge of this proportions, many corporations in Germany have the ſubaltern corporations of trades reſtrained to certain numbers. There is a determined number of apothecaries, joiners, ſmiths, &c. allowed in every town, and no more; according as employment is found for them. This ſeems a good regulation. I do not ſay it may not be abuſed. But the power of adminiſtration muſt be lodged ſomewhere; and if in a country where induſtry is making little progreſs, corporations were laid open, the conſequence would be, that every one would ſtarve another, and the conſumers would be ill ſerved.

On the other hand, when induſtry ſprings up, when the manners of a people change all of a ſudden, or by quick degrees, as has been the caſe in many countries in Europe within theſe threeſcore years: it is a mark of a narrow capacity not to perceive that a change of adminiſtration becomes neceſſary; and if on ſuch revolutions thoſe who are at the head of corporations ſhould profit of the increaſe of demand, and occaſion prices to riſe in favor of the incorporated workmen, the infallible conſequence will be, to make the city become deſerted, and deprived of a trade, which otherwiſe would neceſſarily fall to her ſhare, in conſequence

of the advantage ſhe muſt draw from eſtabliſhments already made for ſupplying every branch of conſumpton *. But let the principle above mentioned be conſtantly followed; let profits be kept at a right ſtandard; let hands be increaſed according to demand; let the city-workmen gain no advantage over thoſe of the country which may not be compenſated by the difference of the price of ſubſiſtence; let the diſadvantages again on the ſide of the town affect only their own conſumption, not the ſurplus of their induſtry; let every convenience for carrying on foreign trade (every thing here is underſtood to be foreign, which does not enter into the conſumption of the town) be provided for in the ſuburbs, or, if you pleaſe, in a place out of the town walled in for that purpoſe; let markets there be held for every kind of work coming from the country;

* The cities of the Auſtrian Netherlands are, from theſe cauſes, at preſent in a ſtate of depopulation; and the induſtrious claſſes are aſſembling in the villages, which are beginning to rival the populouſneſs of cities. In theſe villages, the privileges of the cities are not eſtabliſhed. Privilegies which will in all probability end in their bankruptcy as well as depopulation. The depopulation will follow from the cauſes already mentioned; the bankruptcy from the ſums theſe corporations lend the ſovereign, on the credit of new impoſitions conſtantly laying upon every branch of conſumption. This is ſo true, that the acquiſition of this country (one of the moſt fertile and moſt populous in Europe) would hardly be worth the having, if the debts owing by the corporations were to be fairly paid, and their ruinous *privileges* (as they are called) allowed to ſubſiſt without alteration.

and then the true intent of a corporation will be anſwered. If it be found that the proſperity of trade demands ſtill more liberty, then the corporation may be thrown open; but on the other hand, every bur-den muſt be taken off, and every incorporated member muſt be indemniſied by the ſtate, for the loſs he is thereby made to ſuffer.

The great change daily operating on the ſpirit of European nations, where corporations have been long eſtabliſhed, without any great inconvenience having been found to ariſe from them, ſuggeſts theſe reflections, which ſeem to flow naturally, from the principles we have deduced. I ſhall only add, that from the practice of impoſing taxes within theſe little republics (as I have called them) Princes ſeem to have taken the hint of extending that ſyſtem; by firſt appropriating to the public revenue, what the cities had eſtabliſhed in favor of themſelves, and then by enlarging the plan as circumſtances favored their deſign. That this is the true origin of the modern plan of taxation (I mean that upon conſumption) may be gathered from hence; that the right of impoſing taxes appears no where, almoſt, to have been eſſentially attached to royalty, even in thoſe kingdoms, where Princes have long enjoyed an unlimited conſtitutional authority over the perſons of their ſubjects. This right I take to be the leaſt equivocal characteriſtic of an abſolute and unlimited power. I know of no chriſtian monarchy (except, perhaps, Ruſſia) where either the conſent of ſtates, or the approbation or concurrence of ſome political body within the ſtate, has not been requiſite

to make the impoſition of taxes conſtitutional; and if more exceptions are found, I believe it will not be difficult to trace the origin of ſuch an exertion of ſovereign authority, without aſcending to a very high antiquity. The prerogative of Princes in former times, was meaſured by the power they could conſtitutionally exerciſe over the *perſons* of their ſubjects; that of modern princes, by the power they have over their *purſe*.

Having, therefore, ſhown the neceſſity of putting a ſtop to foreign reciprocal commerce in manufactures, ſo ſoon as in every branch this trade becomes diſadvantageous to a nation; the next queſtion comes to be, how to proceed in the execution, ſo as to avoid a ſudden and violent revolution in the economy of the ſtate, which is of all things the moſt dangerous: the hurt, therefore, ought to be foreſeen at a great diſtance, in order to be methodically prevented.

CHAP. XXIV.

What is the proper Method to put a Stop to a foreign Trade in Manufactures, when the balance of it turns againſt a Nation?

IT muſt not be underſtood, from what was ſaid in the laſt chapter, that ſo ſoon as the balance of foreign trade, either on the whole, or on any branch of manufacture, is to be found againſt a nation, that

that a ſtateſman ſhould then at once put a total ſtop to it. This is too violent a remedy ever to be applied with ſucceſs.

It is hardly poſſible, that a conſiderable revolution in the trade of a nation ſhould happen ſuddenly, either to its advantage, or diſadvantage, unleſs in times of civil diſcord, or foreign wars, which at preſent do not enter into the queſtion.

A ſagacious ſtateſman will, at all times, keep a watchful eye upon every branch of foreign commerce, eſpecially upon importations. Theſe conſiſt either in the natural produce of other countries, or in ſuch produce increaſed in its value by manufacture.

In all trade two things are to be conſidered in the commodity ſold. The firſt is the matter; the ſecond is the labor employed to render this matter uſeful.

The matter exported from a country, is what the country loſes; the price of the labor exported, is what it gains.

If the value of the matter imported, be greater than the value of what is exported, the country gains. If a greater value of labor be imported, than exported, the country loſes. Why? Becauſe in the firſt caſe, ſtrangers muſt have paid, *in matter*, the ſurplus of labor exported; and in the ſecond caſe, becauſe the country muſt have paid to ſtrangers, *in matter*, the ſurplus of labor imported.

It is therefore a general maxim, to diſcourage the importation of work, and to encourage the exportation of it.

When any manufacture begins to be imported, which was uſually made at home, it is a mark that

either the price of it begins to riſe within the country, or that ſtrangers are making a new progreſs in it. On the other hand, when the importation of manufactures conſumed within a country comes to diminiſh, and when merchants begin to loſe upon ſuch branches of trade, it is a proof that induſtry at home is gaining ground in thoſe articles. The ſtateſman then muſt take the hint, and ſet out by clogging gently the importation of thoſe commodities, not ſo as to put a ſtop to it all at once; becauſe this might have the effect of carrying profits too high upon the home fabrication of them.

All ſudden revolutions are to be avoided. A ſudden ſtop upon a large importation, raiſes the prices of domeſtic induſtry by jerks, as it were; they do not riſe gradually; and theſe ſudden profits engage too many people to endeavour to ſhare in them. This occaſions a deſertion from other branches of induſtry equally profitable to the ſtate. Such revolutions do great harm; becauſe it is a long time before people come to be informed of their true cauſe, and during the uncertainty, they are, as it were, in a wilderneſs, ſurpriſed and delighted with the conſequences, according as their ſeveral intereſts are affected by them. Every one accounts for the phenomena in a different way. Some are for applying remedies againſt the inconveniencies; while others are totally taken up in profiting to the utmoſt of every momentary advantage. In a word, nothing is more hurtful than a ſudden revolution, in ſo complicated a body as that of the whole claſs of the induſtrious, in a modern ſociety. When therefore ſuch changes happen, in ſpite of all a ſtateſ-

man can do, the beſt way to prevent the inconveniencies which they draw along with them, is to inform the public of the true cauſes of every change, favorable or hurtful to the ſeveral claſſes of inhabitants. This alſo ſeems to be the beſt method to engage every one to concur in promoting the proper remedies, when the inconveniencies themſelves cannot be prevented. So much for a ſcheme of encouraging growing manufactures, or of ſupporting them in their decline. I proceed next to conſider the methods of preventing the loſs of others already eſtabliſhed.

We have ſaid, that the importation of any article of conſumption uſually provided at home, was a proof by no means equivocal of a foreign rivalſhip. I ſhall ſay nothing, at preſent, of the methods to be uſed as a remedy for this inconvenience: theſe have been already diſcuſſed. We muſt now ſuppoſe, every one that might be contrived for this purpoſe, to become ineffectual; and that foreign induſtry is ſo far gaining ground, as daily, more and more, to ſupply the ſeveral branches of domeſtic conſumption.

Upon this, the ſtateſman will begin by laying the importation of ſuch commodities under certain reſtrictions. If theſe do not prove ſufficient, they muſt be increaſed; and if the augmentation produces frauds, difficult to be prevented, the articles muſt be prohibited altogether. By this method of proceeding, it will be found, that without any violent or ſudden prohibition laid upon foreign trade, by little and little, every pernicious branch of it will be cut off, till at laſt it will ceaſe altogether, as in the caſe mentioned above; to wit, when the moſt advantageous branches cannot be carried on without loſs.

Something, however, muſt here be added, in order to reſtrain ſo general a plan of adminiſtration. Nothing is more complex than the intereſts of trade, conſidered with reſpect to a whole nation. It is hardly poſſible for a people to have every branch of trade favorable for the increaſe of her wealth: conſequently, a ſtateſman who upon the ſingle inſpection of one branch, would lay the importation of it under limitations, in proportion as he found the balance upon it unfavorable to the nation, might very poſſibly undo a flouriſhing commerce.

He muſt firſt examine minutely every uſe to which the merchandize imported is put: if a part is re-exported with profit, thisprofit muſt be deduced from the balance of loſs incurred by the conſumption of the remainder. If it be conſumed upon the account of other branches of induſtry, which are thereby advanced, the balance of loſs may ſtill be more than compenſated. If it be a means of ſupporting a correſpondence with a neighbouring nation, otherwiſe advantageous, the loſs reſulting from it may be ſubmitted to, in a certain degree. But if upon examining the whole chain of conſequences, he finds the nation's wealth not at all increaſed, nor her trade encouraged, in proportion to the damage at firſt incurred by the importation, I believe he may decide, that ſuch a branch of trade is hurtful; and therefore that it ought to be cut off, in the moſt prudent manner, according to the general rule.

The firſt object of the care of a ſtateſman, who conducts a nation, which is upon the point of loſing her foreign trade, without any proſpect or probability of

recovering it, is to preſerve her wealth already acquired. No motive ought to engage him to ſacrifice this wealth, the ſafety alone of the whole ſociety excepted, when ſuddenly threatened by foreign enemies. The gratification of particular people's habitual deſires, although the wealth they poſſeſs may enable them, without the ſmalleſt hurt to their private fortunes, to conſume the productions of other nations; the motive of preventing hoards; that of promoting a briſk circulation within the country; the advantages to be made by merchants, who may enrich themſelves by carrying on a trade diſadvantageous to the nation; even, to ſay all in one word, the ſupporting of the ſame number of inhabitants, ought not to engage his conſent to the diminution of national wealth.

Here follow my reaſons for carrying this propoſition ſo very far, even to the length of ſacrificing a part of the inhabitants of a country to the preſervation of its wealth; and I flatter myſelf, that when duly examined, I may avoid the ſmalleſt imputation of Machiavellian principles, in conſequence of ſo bold an aſſertion.

While a people are fed with the produce of their own lands, the preſervation of their numbers is quite conſiſtent with the preſervation of their wealth. If, therefore, in ſuch a caſe, their numbers ſhould be diminiſhed upon a decay of foreign trade, either by their food's being exported, or by their lands becoming uncultivated, I ſhould never heſitate to lay the blame upon the ſtateſman's adminiſtration.

But an induſtrious people may (as has been ſaid) carry their numbers far beyond the proportion of

their own ſubſiſtence. The deficiency muſt be ſupplied from abroad, and muſt be paid with the balance of the trade in their favor. Now when this balance comes to turn againſt them, and when, conſequently, a ſtop is put to the diſadvantageous foreign trade, upon the principles we have been laying down, the ſtateſman is reduced to this alternative; either annually to allow a part of the wealth already got, to be exported, in order to buy ſubſiſtence for the *ſurplus* of his people, as I may call them, or to reduce their numbers by degrees, either by encouragements given to their leaving the country, or by eſtabliſhing colonies, &c. until they are brought down to the juſt proportion of national ſubſiſtence. If he prefers the firſt, ſuppoſing the execution of ſuch a plan to be poſſible, the conſequence will be, that ſo ſoon as all the wealth is ſpent, the whole ſociety, except the proprietors of the lands, and thoſe who cultivate them, muſt go to deſtruction. If he prefers the ſecond, he remains independent of all the world with reſpect to the inhabitants he preſerves. They remain in a capacity of maintaining themſelves, and he may alter the plan of his political economy as beſt ſuits his circumſtances, relatively to other nations. While all his ſubjects are employed and provided for, he will remain at the head of a flouriſhing and happy people.

It may be here objected, that the firſt alternative is an impoſſible ſuppoſition. I allow it to be ſo, if you, ſuppoſe it to be carried the length to which I have traced it; becauſe no power whatſoever in a ſtateſman, can go ſo far as to preſerve numbers at the expenſe of the whole riches of his people.

But I can very eaſily ſuppoſe a caſe, where numbers may be ſupported at an eminent loſs to a ſtate which finds itſelf in the ſituation in which we have repreſented it in our ſuppoſition.

Suppoſe a prince, upon the failure of his foreign trade; to increaſe his army, in proportion as he finds his induſtrious hands laid idle by a deficiency of demand for their labor; and let him fill his magazines for their ſubſiſtence by foreign importation, leaving the produce of his country to feed the reſt of his ſubjects. By ſuch a plan, every body will remain employed, and alſo provided for, and ſuch a prince may be looked upon as a moſt humane governor. This I willingly agree to. I ſhould love ſuch a prince; but the more I loved him, the more I ſhould regret that his project muſt fail, from a phyſical impoſſibility of its being long ſupported; and when it comes to fail by the exhauſting of his wealth, it will not be his regrets which will give bread to his ſoldiers, nor employment to his induſtrious ſubjects, who will no longer find an equivalent for their labor.

Let this ſuffice at preſent, upon the general principles which influence the ſtop neceſſary to be put to the importation of foreign commodities, and to the diminution of national wealth, in the caſe we have had before us.

Next as to the articles of exportation. The moſt profitable branches of exportation are thoſe of work, the leſs profitable thoſe of pure natural produce. When work cannot be exported in all its perfection, becauſe of its high price, it is better to

export it with a moderate degree of perfection, than not at all; and if even this cannot be done to advantage, then will a people be obliged to renounce working except for themſelves: and then, if domeſtic conſumption does not increaſe in proportion to the deficiency of foreign demand, a certain number of hands will be idle, and a certain quantity of natural produce will remain upon hand. The firſt muſt diſappear in a ſhort time; they will ſtarve or deſert; the laſt will become an article of exportation. Here then is a new ſpecies of trade which takes place upon the extinction of the other. When a nation has been forced to reduce her exportations to articles of pure natural produce, in conformity to the principles we have been laying down, then the plan propoſed in the title of this chapter is executed. She is then brought as low in point of trade as ſhe can be, but at the ſame time, ſhe may enjoy her natural advantages in ſpite of fortune; and in proportion to them, ſhe may, with a good government and frugality, retain a balance of trade in her favor, which will conſtantly go on in augmenting her national wealth.

There is, therefore, a period at which foreign trade may ſtop in every article, but in natural produce. I do not know whether this period be at a great diſtance, when the ſtate of trade is conſidered relatively to certain nations of Europe.

Were induſtry and frugality found to prevail equally in every part of the great political bodies, or were luxury and ſuperfluous conſumption, every

where carried to the ſame height, trade might, without any hurt, be thrown entirely open. It would then ceaſe to be an object of a ſtateſman's care and concern. On the other hand, were all nations equally careful to check every branch of unprofitable commerce, a general ſtagnation of trade would ſoon be brought about. Manufactures would no more be the object of traffic; every nation would ſupply itſelf, and nothing would be either exported or imported but natural productions.

But as induſtry and idleneſs, luxury and frugality, are conſtantly changing their balance throughout the nations of Europe, able merchants make it their buſineſs to inform themſelves of theſe fluctuations, and able ſtateſmen profit of the diſcovery for the re-eſtabliſhment of their own commerce; and when they find that this can no more be carried on with the manufactures or produce of their own country, they engage their merchants to become carriers for their neighbours, and by theſe means, form as it were a third and laſt entrenchment, which, while they can defend it, will not ſuffer their foreign trade to be quite extinguiſhed; becauſe, by this laſt expedient, it may continue for ſome time to increaſe their national ſtock. It is in order to cut off even this reſource, that ſome nations lay not only importations under reſtraint, but alſo the importers *. Let ſuch precautions be carried to a certain length on all hands, and we ſhall ſee an end to the whole ſyſtem of

* By the act of navigation in England.

foreign trade, ſo much alamode, that it appears to become more and more the object of the attention as well a of the imitation of all modern ſtateſmen.

CHAP. XXV.

When a rich Nation finds her Foreign Trade reduced to the Articles of Natural Produce, what is the beſt plan to be followed? and what are the Conſequences of ſuch a Change of Circumſtances?

THERE is now no more queſtion of a trading nation; this character is loſt, the moment there is a ſtop put to the export of the labor and ingenuity of her people.

The firſt objects of her care ſhould be to increaſe, by every poſſible means, the quantity of her natural produce; to be as frugal as poſſible in the conſumption of it, and to export the ſurplus to the beſt advantage.

If ſhe finds her exportation of ſubſiſtence going forward, while ſome of her people remain in want, ſhe may reſt aſſured that induſtry is made to ſuffer by ſome internal vice; and the moſt probable cauſe of ſuch an effect will be found to be an unequal competition between thoſe of the lower claſſes, who work for a phyſical-neceſſary. This muſt be removed, and the ſtateſman ſhould never reſt, until he has ſet the balance of work and demand ſo far right, as to prevent at leaſt *the ſcale*

of work from preponderating; for this is the door by which miſery gets in among the people.

The ſcale of demand preponderating, will not now be ſo hurtful, as this alteration of the balance will only raiſe prices, and accelerate circulation, and keep the other balance, to wit, that of wealth (of which we ſhall treat in the following chapter) in a conſtant vibration, without diminution of the public ſtock.

Another object of a ſtateſman's care in theſe ſuppoſed circumſtances, is to ſuffer no work whatever, nor the natural produce of any other country conducive to luxury, to be imported; for although I have ſaid, that ſuperfluous conſumption can do little harm when the intereſts of foreign trade do not enter into the queſtion ſo as to prevent exportation, by raiſing prices at home; and though the importation of foreign produce, in exchange for like commodities of national growth, does no hurt to a ſtate with reſpect to her wealth, yet if ſuch importation be an article of mere ſuperfluity, I think a ſtateſman ſhould prudently diſcourage it; becauſe the ſearch of ſuperfluities is of itſelf a proof of a luxurious turn, and I ſhould wiſh to ſee this turn improved ſo as to promote national purpoſes only, that is, to the augmentation and ſubſiſtence of uſeful inhabitants.

Let me illuſtrate this by an example. Foreign wines, I ſhall ſuppoſe, become alamode, as a part of the luxury of an elegant table. A ſtateſman by his example, may diſcourage this, and introduce many other articles of expenſe in entertainments ſufficient to compenſate it. The furniture of apart-

ments may be rendered more magnificent, ornaments of the ſide-board, decoration of deſerts, new amuſements immediately after dinner might be introduced, which would have an air of refinement and delicacy.

By ſuch examples he might eaſily ſubſtitue one expenſe, which might become a national improvement, in the place of another, where the luxury produces no ſuch effect. And when prodigality and expenſe have neither the good effect of giving bread to the poor, nor of accelerating circulation at home in favor of the public, I can ſee no reaſon why a ſtateſman ſhould intereſt himſelf for their ſupport; and much leſs, why a ſpeculative perſon, who examines only the methods of making mankind happy by their mutual ſervices to each other, ſhould ſtrain a ſubject, in order to find arguments proper to make either the apology or panegyric of the various ſchemes of diſſipation.

I need not add, as a reſtriction of this principle of diſcouraging the importation of foreign commodities (which become articles of a greater ſuperfluous home-conſumption) that when ſuch a branch of trade becomes neceſſary to be carried on, in order to engage a neighbouring nation to conſume of home-ſuperfluities; in this caſe, the luxury of the conſumers of the foreign produce, has an evident tendency to national improvement. If delicate wines, and raw ſilk, are imported as a return for ſalt herrings and raw hides, the ſupport of ſuch a trade is only the means of making the rich conſume theſe articles of home-production, by converting them into burgundy and velvet.

Theſe conſiderations regard the augmentation, or at leaſt the preſervation of national wealth. If they are attended to, it is hardly poſſible that any part of what is already acquired, can go abroad; and in this caſe the whole balance of the exportation of natural produce becomes clear gain.

There are ſtill ſeveral things to be obſerved with regard to the exportation of natural produce. Such articles as are in great abundance, and are not produced in other countries, as wines in the ſouthern countries of Europe, ought always to be exported by the inhabitants, becauſe conſiderable profits muſt be made upon a trade where there is no rivalſhip; and on ſuch occaſions, a people ought to be wiſe enough to keep ſuch profits for themſelves.

But if other nations will not receive them, unleſs they be imported by their own ſubjects, then the ſtateſman may impoſe a duty upon exportation, which is one way of ſharing the profits with the carriers. All the precaution neceſſary, in impoſing this duty, is not to raiſe it ſo high as to diminiſh the demand; nor to give an encouragement to a neighbouring nation, to enter into competition for ſuch a branch of trade.

Neighbouring ſtates which furniſh the ſame articles of natural produce, regulate, commonly, the duties upon exportation, in ſuch a manner as nearly to compenſate all differences which ſtrangers may find, between trading with the one or with the other. Or they grant particular privileges in point of trade, to the nations with whom they find it moſt for their advantage to trade.

If the natural advantages upon ſuch articles are leſs conſiderable, no duty can be impoſed. Exportation may then be encouraged by granting ſtill greater privileges to ſtrangers or others, who may promote the exportation at little coſt to the ſtate.

If in the laſt place, the natural produce of a country be common to others, where it is perhaps equally plentiful, it will be difficult to procure the exportation of it; and yet it may happen, that too great an abundance of it at home, may occaſion inconveniencies. In this caſe, the ſtateſman muſt give a premium or bounty upon exportation, as the only method of getting rid of a ſuperfluity, which may influence ſo much the whole maſs of the commodity produced, as to ſink the price of the induſtry of thoſe employed in it, below the ſtandard of their phyſical-neceſſary. By giving, therefore, this premium, he ſupports induſtry in that branche; he takes nothing from the national wealth; and the exportation, which takes place in conſequence of the bounty, is all clear gain. This is an uncommon operation in trade, but it has ſo intimate a connection with the doctrine of taxes, and the proper application of public money, that I will poſtpone the farther conſideration of it until I come to that branch of my ſubject; and the rather, that this book is ſwelling beyond its due proportion.

I have little occaſion to ſpeak of importations, into a country which exports no manufactures. The ruling principle in ſuch caſes, is to ſuffer no importation but what tends to encourage the exportation of the ſurplus of natural produce, and which, at the

ſame time, has no tendency to rival any branch of domeſtic induſtry. Thus it is much better for a northern country to pamper the taſte of her rich inhabitants with wines and ſpices, than to diſcourage agriculture by the importation of rice and foreign grain; ſuppoſing the alternative quite optional, and the one as well as the other to be the returns of her own ſuperfluity.

I come next to the conſideration of her inland trade, and conſumption of her own manufactures. Here there is no queſtion of either an increaſe or diminution of her wealth, but only of making it circulate in the beſt manner to keep every body employed. Several conſiderations muſt here influence our ſtateſman's conduct, and a due regard muſt be had to every one of them. I ſhall reduce them to three different heads, and paſs them in review very curſorily, as we have already explained ſufficiently the principles upon which they depend.

1*mo.* To regulate conſumption and the progreſs of luxury, in proportion to the hands which are found to ſupply them.

2*do.* To regulate the multiplication of inhabitants according to the extent of the fertility of the ſoil. Theſe two conſiderations muſt conſtantly go hand in hand.

In ſo far therefore, as the ſtateſman finds his country ſtill capable of improvement, in ſo far he may encourage a demand for work, and even countenance new branches of ſuperfluous conſumption; ſince the equivalent to be given for them muſt of neceſſity prove an encouragement to agriculture. But

whenever the country becomes thoroughly cultivated and peopled to the full proportion of its own produce, a check muſt be put to multiplication, that is, to luxury, or miſery and depopulation will follow; unleſs indeed, we ſuppoſe that numbers are to be ſupported at the expenſe of national wealth, the fatal conſequences of which we have already pointed out.

3tio. He ſhould regulate the diſtribution of the claſſes of his people, according to the political ſituation of the country.

This is the moſt complicated caſe of all. It would be imprudent, for example, in a very ſmall ſtate ſituated on the continent, to diſtribute all its inhabitants into producers and conſumers, as we have called them on ſeveral occaſions; that is, into thoſe who live upon a revenue already acquired, and thoſe who are conſtantly employed in acquiring one by ſupplying the wants of the other. There muſt be a third claſs; to wit, thoſe who are maintained and taken care of at the expenſe of the whole community, to ſerve as a defence. This ſet of men give no real equivalent for what they receive; that is to ſay, none which can circulate or paſs from hand to hand; but ſtill they are uſefully employed as members of a ſociety mutually tied together by the band of reciprocal dependence. Here is no vice implied; but at the ſame time, the ſtateſman muſt attend to the conſequences of ſuch a diſtribution of claſſes.

The richer any ſtate is, the more it has to fear from its neighbours: conſequently, the greater proportion of the inhabitants muſt be maintained for its defence, at the expenſe of the induſtry of the other inhabitants.

tants. This muſt diminiſh the number of free hands employed in manufactures, and in ſupplying articles of conſumption: conſequently, it would be imprudent to encourage the progreſs of luxury, while public ſafety calls for a diminution of the hands which muſt ſupply it. If in ſuch circumſtances luxury do not ſuffer a check, demand will riſe above the proper ſtandard; living will become dearer daily, prices will riſe, and they will prove an obſtacle to the recovery of foreign trade; an object of which a prudent ſtateſman will never loſe ſight for a moment.

It is for theſe and other ſuch conſiderations, that many ſmall ſtates are found to fortify their capital; to keep a body of ſoldiers in conſtant pay, bearing a great proportion to the number of the inhabitants; to form arſenals well ſtored with artillery, and to inſtitute ſumptuary laws and other regulations proper to check luxury. Nothing ſo wiſe in every reſpect! Their territory cannot be extended nor improved, nor can their inhabitants be augmented, but at the expenſe of their wealth; for ſuch as gained their livelihood at the expenſe of ſtrangers, are at preſent out of the queſtion. Were their own citizens therefore permitted, out of the abundance of their wealth, to give bread to as many as their extravagance could maintain, the public ſtock would be conſtantly diminiſhing, in proportion to the foreign ſubſiſtence imported for theſe ſupernumeraries, fed at the expenſe of the luxurious; which would be juſt ſo much loſt.

In other ſtates which are extended, powerful by means of wealth, and ſtrong by nature and ſituation, whoſe ſafety is connected with the general ſyſtem

of European politics, which ſecures them againſt conqueſt; ſuch as Spain, France, Great Britain, &c. the progreſs of luxury does little harm (as theſe territories are ſtill capable of infinite improvements) provided it does not deſcend to the lower claſſes of the people.

It ought to be the particular care of a ſtateſman to check its progreſs there, otherwiſe there will be ſmall hopes of ever recovering foreign trade. Whereas, if the lower claſſes of a people continue frugal and induſtrious, from theſe very circumſtances trade may open anew, and be recovered by degrees, in proportion as luxury comes to get footing in other nations, where the common people are leſs laborious and frugal.

Luxury, among thoſe who live upon a revenue already got, and who, by their rank in the ſtate, are not calculated for induſtry, has the good effect of affording bread to thoſe who ſupply them; but there never can be any advantage in having luxury introduced among the lower claſſes, becauſe it is then only a means of rendering their ſubſiſtence more chargeable, and conſequently more precarious.

Having thus briefly laid together the principal objects of a ſtateſman's care, upon the ceſſation of the foreign trade of his people, I ſhall finiſh my chapter, by pointing out ſome general conſequences which reaſon and experience ſhow to be naturally connected with ſuch a revolution; not with regard to induſtry and inland trade, but as they influence the ſpirit, government, and manners of a people.

Nothing is more certain than that the ſpirit of a

nation changes according to circumſtances. While foreign trade flouriſhes, the minds of the monied people are turned to gain. Money, in ſuch hands, is generally employed to procure more, not to purchaſe inſtruments of luxury; except for the conſumption of thoſe prodigal ſtrangers who are thereby becoming daily poorer. It is this deſire of becoming rich, which produces frugality. A man, is always frugal while he is making a fortune; another very commonly becomes extravagant in the enjoyment of it; juſt ſo would it be with nations were a wiſe ſtateſman never to interpoſe.

When, by the ceſſation of foreign trade, the mercantile part of a nation find themſelves cut off from the profits they uſed to draw from ſtrangers; and on the other hand, perceive the barriers of the nation gradually ſhutting againſt every article of unprofitable correſpondence, they begin to withdraw their ſtocks from trade, and ſeek to place them within the country. This money is often lent to landed men, hitherto living within bounds, for two moſt ſubſtantial reaſons. Firſt, becauſe there was little money to be borrowed, from the high rate of intereſt, owing to the great profits on foreign trade; and becauſe the national ſtock was then only forming. The ſecond, becauſe the taſte of the times was frugality. But when once the money which was formerly employed in buying up loads of work for the foreign markets, falls into the hands of landed men, they begin to acquire a taſte for luxury. This taſte is improved and extended by an infinity of arts, which employ the hands for-

merly taken up in furniſhing branches of exportation. Thus by degrees we ſee a rich, induſtrious, frugal, trading nation, transformed into a rich, ingenious, luxurious, and polite nation.

As the ſtateſman formerly kept his attention fixed on the preſervation of an equal balance between work and demand, and on every branch of commerce, in order to prevent the carrying off any part of the wealth already acquired; he muſt now direct his attention towards the effects of the domeſtic operations of that wealth. He was formerly intereſted in its accumulation; he muſt now guard againſt the conſequences of this.

While the bulk of a nation's riches is in foreign trade, they do not circulate within the country; they circulate with ſtrangers, againſt whom the balance is conſtantly found. In this caſe, the richeſt man in a ſtate may appear among the pooreſt at home. In foreign countries you may hear of the wealth of a merchant, who is your next door neighbour at home, and who, from his way of living, you never knew to be worth a ſhilling. The circulation of money for home-conſumption will then be very ſmall; conſequently, taxes muſt be very low; conſequently, government will be poor.

So ſoon as all this load of money which formerly was continually going backwards and forwards, without almoſt penetrating, as one may ſay, into the country, is taken out of foreign trade, and thrown into domeſtic circulation, a new ſcene opens.

Every one now begins to appear rich. That wealth which formerly made the admiration of foreiguers, now aſtoniſhes the proprietors themſelves. The uſe of money, formerly, was to make more of it: the uſe of money now, is to give it in exchange for thoſe or ſuch like commodities, which were then conſumed by ſtrangers only.

It is this revolution in the ſpirit of a people, which renders the conſideration of the balance of their wealth an object of the greateſt political concern; becauſe the conſtant fluctuation of it, among the ſeveral claſſes of inhabitants, is what lays the foundation of public opulence.

A government muſt always be reſpected, feared, and obeyed by the people governed; conſequently, it muſt be powerful, and its power muſt be of a nature analogous to that of the ſubjects. If you ſuppoſe a great authority veſted in the grandees of a kingdom, in conſequence of the number and dependence of their vaſſals, the crown muſt have ſtill a more powerful vaſſalage at its command: if they are powerful by riches, the crown muſt be rich. Without preſerving this juſt balance, no government can ſubſiſt. All power conſiſts in men, or in money.

If therefore we ſuppoſe a vaſt quantity of wealth thrown into domeſtic circulation, the ſtateſmen muſt follow new maxims. He muſt promote the circulation of it ſo as to fill up the blank of foreign conſumption, and preſerve all the induſtrious who have enriched him. The quicker the circulation is found to be, the better opportunity will the

induſtrious have of becoming rich ſpeedily; and the idle and extravagant will become the more quickly poor. Another conſequence equally certain is, that the quicker the circulation, the ſooner will wealth become equally divided; and the more equality there is found in wealth, the more equality will be found in power. From theſe principles it will follow, that upon ſuch a revolution of national circumſtances, a popular government may very probably take place, if the ſtateſman do not take proper care to prevent it.

This is done by the impoſition of taxes, and theſe are differently laid on, according to the ſpirit of the government.

By taxes a ſtateſman is enriched, and by means of his wealth, he is enabled to keep his ſubjects in awe, and to preſerve his dignity and conſideration.

By the diſtribution of taxes, and manner of levying them, the power is thrown into ſuch hands as the ſpirit of the conſtitution requires it ſhould be found in. Are they impoſed in a monarchy where every man is taught to tremble at the King's name, the great men will be made rich by his bounty, and the lower claſſes will be loaded and kept poor; that they may, on eaſier terms, be engaged to fill thoſe armies which the Prince entertains to ſupport his authority at home, and his influenee abroad.

Here independent people will always be looked upon with an evil eye, and conſidered as rivals to the Prince, who ought to be the only independent perſon in the ſtate.

In limited governments, where the ſovereign has not the ſole power of taxation, they will be laid on more equally, and leſs arbitrarily; providing the theory of them in general be well underſtood. Here every man muſt know *what* he is to pay, and *when*; and the amount of the tax muſt bear a proportion, on one hand, to the exigencies of the ſtate, and on the other, to the quantity of circulation which takes place upon the payment of it, that is, a man muſt not be made to pay all the ſtate can demand of him for a year, upon his making a trifling, though moſt eſſential acquiſition of a neceſſary article of ſubſiſtence.

I think I have obſerved one remarkable difference in the point of view in levying taxes in countries where theſe two forms of government are eſtabliſhed.

Under the pure monarchy, the Prince ſeems jealous, as it were, of growing wealth, and therefore impoſes taxes upon people who are growing richer. Under the limited government they are calculated chiefly to affect thoſe who are growing poorer.

Thus the monarch impoſes a tax upon induſtry; where every one is rated in proportion to the gain *he is ſuppoſed* to make by his profeſſion. The poll-tax and *taille*, are likewiſe proportioned to the *ſuppoſed* opulence of every one liable to them. Theſe, with others of the ſame nature, are calculated (as it is alledged) to eſtabliſh an equality in the load ſupported by the ſubjects; by making the induſtrious, and money gatherers, contribute in proportion to their gains, although the capital ſtock from which theſe profits ariſe be concealed from the eyes of the public.

In limited governments, impoſitions are more generally laid upon conſumption. They encourage induſtry, and leave the full profits of it to make up a ſtock for the induſtrious perſon. When the ſtock is made, that is, when it ceaſes to grow, it commonly begins to decreaſe: the number of prudent people, who live preciſely upon their income, is very ſmall. It is therefore upon the diſſipation of wealth, in the hands of private people, that the ſtate is enriched. Thus the career towards poverty is only a little abridged: he who is in the way of ſpending his eſtate will get at the end of it, if his life be ſpared; and therefore there is no harm done to him, and much good done to the ſtate, in making a part of his wealth circulate through the public coffers.

The only precaution neceſſary to be taken in taxing conſumption, is, to render the impoſitions equal, and to prevent their affecting what is purely neceſſary; or operating an unequal competition between people of the ſame denomination. Such impoſitions have ſtill a worſe effect, than thoſe which fall upon growing wealth: they prevent the poor from being able to ſubſiſt themſelves. A fellow feeling excites compaſſion among thoſe of the lower claſſes; they endeavour to aſſiſt each other, and by this operation, like a pack of cards, ſet up by children upon a table, the firſt that is thrown down tumbles down another, until all are laid flat; that is, miſery invades the lower claſſes: more than one half of a people.

From theſe principles (which I have been obliged to anticipate) we may gather the neceſſity of taxes,

in ſtates where foreign trade begins to decay. Without them, there is no ſecurity for a government againſt the power of domeſtic wealth. Formerly, Princes lived upon their domain, or patrimonial eſtate. What domain would be ſufficient, at preſent, to ſupport the expenſe of government? And if a government is not able to hold the reins of every principle of action within the ſtate, it is no government, but an idol, that is, an object of a voluntary reſpect. The ſtateſman, therefore, muſt hold the reins; and not commit the management of the horſes to the diſcretion of thoſe whom he is employed to conduct.

Another conſequence of taxes, is, that the more luxury prevails, the more the ſtate becomes rich: if luxury, therefore, breeds licentiouſneſs, it at the ſame time provides a curb againſt its bad effects.

This augmentation of wealth produces a double advantage to the ſtateſman: for beſides the increaſe of the public revenue, the progreſs of luxury changing the balance of wealth conſtantly, by removing it from the rich and extravagant, to the poor and laborious, renders thoſe who were formerly rich, and conſequently powerful, dependent upon him for their ſupport. By the acquiſition of ſuch perſons, he gains additional credit, and ſupports his authority. Thus wealth and power circulate, and go hand in hand.

It may be aſked, how theſe principles can be reconciled with the vigor and ſtrength commonly found in the government of flouriſhing trading nations; for in ſuch we muſt ſuppoſe few taxes;

conſequently, a poor and therefore a weak government; and a rich, conſequently, a powerful people?

I anſwer, that under ſuch circumſtances, a people are commonly taken up with their trade, and are therefore peaceable; and as their wealth does not appear, being conſtantly in circulation with ſtrangers, the influence of it is not felt at home. While wealth is employed in purſuit of farther gains, it cannot give power; conſequently, as to all political effects at home, it is as if it did not exiſt; and therefore there is no occaſion for the ſtate to be poſſeſſed of a wealth they have no occaſion to employ. If ſuch a nation be attacked by her enemies, ſhe becomes wealthy in an inſtant, every one contributes to ward off the common danger: but if, on the contrary, her tranquillity is diſturbed at home, the rebellion generally proves ſucceſsful; which is a confirmation of the principles laid down. I might illuſtrate this by many hiſtorical remarks. I ſhall only ſuggeſt to my reader, to examine the nature of the Dutch revolutions, and to compare the ſucceſs of rebellions in France and England, during the laſt century, with others of a freſher date. Here the reader may conſult the learned Mr. Hume's obſervation upon the commencement of the civil war. *Hiſtory of Great Britain*, Vol. X. p. 147.

When, therefore, foreign trade has ceaſed for ſome time, and luxury has filled up the void, a conſiderable part of national wealth begins to circulate through the public treaſury. It is natural then for great men to reſort to court, in order to partake of the profits of government; and for the ſtateſman to be fond

of attaching ſuch people to his intereſt, in order to be a conſtant check upon the turbulent ſpirit, which new gotten wealth may excite in the minds of one ſet of people, and deſperate fortunes in thoſe of others.

While there was little circulation of money in Europe, and few taxes, there was ſmall profit to be made in following of Kings. Theſe were more formidable to their enemies, than profitable to their friends. The great men of the ſtate lived upon their lands, and their grandeur reſembled that of the Prince; it conſiſted in the number and dependence of their vaſſals; who got as little by their Lord, as he did by the King. The poor in thoſe days were plundered of the little money they had, by the great; now the great are ſtripped of the largeſt ſums, by the numbers of poor, who demand from them on all hands, the juſt equivalent of their induſtry.

When Princes find their great men all about them, all aſking, and all depending for different marks of their favor, they may perceive the great change of their ſituation, produced by luxury, and a ſwift circulation. This revolution has not been ſudden, it has been the work of ſeveral centuries; and I think we may diſtinguiſh three different ſtages during this period.

The firſt during the grandeur of the feudal government: then the great Barons were to be conſulted, and engaged to concur in the King's wars, becauſe it was they who paid the expenſe, and ſuffered the greateſt loſs. Theſe are called by ſome the days of liberty; becauſe the ſtates of every country in

Europe, almoſt, were then in all their glory: they are called ſo with great reaſon, when we conſider the condition of the great only.

In thoſe days there were ſeldom any troubles or diſturbances in the ſtate, ſeldom any civil wars levied againſt the King, but ſuch as were ſupported by the grandees; who, either jealous of their own juſt rights, or ambitious of acquiring others at the expenſe of the crown, uſed to compel their vaſſals, or engage them by the conſtitutional influence they had over them, to diſturb the public tranquillity.

The ſecond ſtage, I think, may be ſaid to have begun with the times of induſtry, and the ſpringing up of trade. Such Princes, whoſe ſubjects began to enrich themſelves at the expence of other nations, found, on one ſide, the means of limiting the power of the great lords, in favor of the extenſion of public liberty. The lords, on the other ſide, when they wanted to diſturb the public tranquillity, did not, as formerly vindicate their own privileges, ſo much as they combined with the people, and moved them to revolt, on popular conſiderations.

This may be called the period of confuſion, out of which has ariſen certain determined forms of government; ſome drawing nearer to the monarchical, others nearer to the popular form, according as the power of Princes has been more or leſs able to ſupport itſelf, during the ſhock of the revolution, and the overturn of the balance between public and private opulence.

The third and laſt ſtage, of which I ſhall ſpeak at preſent, may be fixed at that period when the pro-

portion of the public revenue became adequate to the maſs of national wealth; when general laws were made to govern, and not the arbitrary power of the great. The grandees now, from being a bridle on royal authority, are often found dependent upon it for their ſupport. The extraordinary flux of money into the treaſury, enables Princes to keep ſplendid courts, where every kind of pleaſure and amuſement is to be had. This draws together the rich men of the ſtate. The example of the ſovereign prompts theſe to an imitation of his expenſe, this imitation increaſes conſumption, which in its turn augments the King's income, as it diminiſhes that of every other perſon.

When the great men of a kingdom have exhauſted their eſtates, in paying a regular court to the Prince, they employ the credit they have acquired with him during the time of their diſſipation, to obtain marks of his favor, in order to ſupport them in their decline. By theſe they are enabled to live in as much ſtate as before. They find no difference in their ſituation: unleſs perhaps they ſhould accidentally reflect, that the fund which produced their former opulence, was in their own poſſeſſion; whereas that of their preſent wealth is in the hands of their maſter.

To compenſate this difference, they are made to acquire, by the favor of the court, advantages which they never could have enjoyed from the largeſt independent fortune.

The luxurious ſyſtem of living, every where introduced, draws the wealthy together, either in the

capital or in other great cities of the kingdom; where every one compares the expenſe and figure he makes, with that of others who are about him. A perſon honored with the King's favor, of the ſame quality with another, acquires, by this circumſtance, a great ſuperiority. He commands, I ſhall ſuppoſe, in a place; he is the perſon to whom people muſt apply, in order to obtain favors, perhaps juſtice; he is adorned with a title, or outward mark of diſtinction, which procure him reſpect and conſideration; and, which is ſtill more, he is on the road to a farther elevation. It requires a great ſtock both of philoſophy and good ſenſe, not to be dazzled with theſe advantages. Independency, compared with them, is but a negative happineſs. To be truly happy, we muſt have power, and have other people to depend on us.

CHAP. XXXVI.

Of the Vibration of the Balance of Wealth between the Subjects of a modern State.

WE have frequently mentioned this balance, as an object of great importance to a ſtateſman who is at the head of a luxurious nation; which having loſt its foreign trade, has ſubſtituted, in the place of it, an extenſive inland commerce. This will ſupply the loſs of the former, ſo far, as equally to provide employment, and, conſequently,

ſubſiſtence, to every one inclined to be induſtrious; although it muſt prove quite ineffectual for augmenting the national wealth already acquired.

I ſhall firſt explain what I mean by the balance of wealth vibrating between the members of a ſociety, and from that will be ſeen why I rank this alſo among the political balances of a modern ſtate.

It has been obſerved in the beginning of the nineteenth chapter, that the great characteriſtic of what we call liberty, is the circulation of an adequate equivalent for every ſervice.

By wealth, I underſtand this circulating adequate equivalent.

The deſires of the rich, and the means of gratifying them, make them call for the ſervices of the poor: the neceſſities of the poor, and their deſire of becoming rich, make them chearfully anſwer the ſummons; they ſubmit to the hardeſt labor, and comply with the inclinations of the wealthy, for the ſake of an equivalent in money.

This permutation between the two claſſes, is what we call circulation; and the effects produced by it, upon the political ſituation of the parties at the preciſe time of circulation, and the conſequences after it is compleatly effected, explains what is called the balance of wealth.

To render our ideas more correct, let us conſider the money on one ſide, and the preſtations, as the civilians call them, or performances of any kind, on the other, as *reciprocal* equivalents for one another; and then let us examine the nature of thoſe preſtations which tend to put theſe equivalents

into circulation; that is to ſay, what are the things which money can purchaſe.

Theſe we may divide, with the lawyers, into corporeal and incorporeal. The corporeal may again be divided into conſumable and inconſumable; and the incorporeal into perſonal ſervice, and what the lawyers call *jura*, rights in or to any thing whatever. I cannot fully explain myſelf without the help of this diſtribution.

Let us next conſider the effects of the circulation of money, as it has for its object, the acquiſition of the four ſeveral ſpecies here laid down.

1. Of inconſumable things. 2. Of things conſumable. 3. Of perſonal ſervice. 4. Of rights acquired in or to any thing whatever.

1. The only thing inconſumable is the ſurface of the earth. This muſt not be taken in a philoſophical, and far leſs in a chemical ſenſe. A thing is conſumed, ſo far as it concerns our inquiry, the moment it becomes uſeleſs, or even when it is loſt.

The ſurface of the earth, therefore, is the only thing inconſumable; becauſe, generally ſpeaking, it never can ceaſe to be uſeful, and never can be loſt; it may be changed, but the earth muſt always have a ſurface. What is ſaid of the ſurface, may be underſtood likewiſe of that ſmall part of its body acceſſible to man, for ſupplying him with what he finds uſeful there, as the produce of mines.

Next to the earth itſelf, nothing is leſs conſumable than her metals, conſequently coin may very properly be claſſed under the head of things

things inconſumable; althought it may be loſt, and even worn out in circulation.

Let us now conſider the effects of circulation in the purchaſe of land. (A), I ſhall ſuppoſe, has a piece of land, and (B) has one thouſand pounds weight of gold coin, which the laws of ſociety have conſtituted to be an adequate circulating equivalent for every thing vendible. They agree to make an exchange. Before the exchange the balance of their wealth is equal; the coin is worth the land, the land is worth the coin; the exchange makes no alteration, nor has it the effect of making any afterwards; the new landlord may apply himſelf to the improvement of the ſoil, the monied man to the turning of his thouſand weight of gold coin to the beſt advantage; conſequently, by this tranſaction, no vibration of the balance ſeems to be affected.

If coin itſelf be the object of ſale, the conſequences are much the ſame. (A) has a guinea, (B) has twenty-one ſhillings, the exchange they make produces no alteration in their circumſtances. The ſame holds good in other ſpecies of circulation, ſuch as the tranſmiſſion of money by inheritance. (A) dies and leaves his money to (B); here the poſſeſſor of the money only changes his name, perhaps his inclinations, and that is all. In like manner a perſon pays his debts, and withdraws his bond, or other ſecurity; no balance is affected by this circulation, matters ſtand between the parties juſt as before.

The nature, therefore, of circulation, when one inconſumable commodity is given for another, is, that it operates no vibration in the balance of wealth

between the parties; becauſe, in order to produce this, one muſt remain richer than he was before, and the other proportionally poorer.

II. Under the ſecond head of alienation, to wit, that of conſumable commodities, is comprehended every thing corporeal, except money, and land, which money may purchaſe. In theſe, two things deſerve attention. Firſt, the ſimple ſubſtance, or the production of nature; the other, the modification, or the work of man. The firſt I ſhall call the *intrinſic worth*, the other, the *uſeful value*. The value of the firſt, muſt always be eſtimated according to its uſefulneſs after the modification it has received is entirely deſtroyed, and when by the nature of the thing both muſt be conſumed together, then the total value is the ſum of both. The value of the ſecond muſt be eſtimated according to the labor it has coſt to produce it. An example will make this plain.

The intrinſic worth of any ſilk, woollen, or linnen manufacture, is leſs than the primitive value employed, becauſe it is rendered almoſt unſerviceable for any other uſe but that for which the manufacture is intended. But the intrinſic ſubſtance of a loaf of bread loſes nothing by the modification, becauſe the laſt cannot be conſumed without the firſt. In a piece of ſilver plate curiouſly wrought, the intrinſic worth ſubſiſts entire, and independent of the uſeful value, becauſe it loſes nothing by the modification. The intrinſic value, therefore, is conſtantly ſomething real in itſelf: the labor employed in the modification repreſents a portion of a man's

time, which having been uſefully employed, has given a form to ſome ſubſtance which has rendered it uſeful, ornamental, or in ſhort, fit for man, mediately or immediately.

Let us now apply theſe diſtinctions to the different circumſtances which attend conſumption, in order to perceive their effects.

The conſumption of the intrinſic value of any commodity, takes place the moment the matter employed begins to diminiſh, and is compleated ſo ſoon as it is conſumed totally. The conſumption of the uſeful value proceeds in like manner, in proportion as the uſe it is put to makes the value of it diminiſh, or diſappear altogether.

Let us next take an example, and examine the effects of circulation in the purchaſe of things conſumable, as to the vibration of the balance of wealth. (A) has a piece of coin, (B) has ſomething which his labor has produced; they make an exchange. (A) hitherto has neither gained or loſt, neither has (B); but (A) begins to make uſe of what he had purchaſed with his coin, and in uſing it a part diſappears; that moment the balance begins to turn againſt him. (B) on the other hand, exchanges his piece of coin with another, whom we ſhall call (C), and gets in return a piece of wood; if (B) puts this piece of wood into the fire, in proportion as the wood conſumes, the balance is returning to its level between (A) and (B), and is changing in favor of (C). If (B), inſtead of burning his wood, makes a beam of it for ſupporting his houſe, the balance will turn more ſlowly, becauſe the wood is then

longer in conſuming: but if he makes ſome uſeful piece of furniture of one part of his wood, he may warm himſelf with the remaining part of it, and with the coin he gets for his work, may buy a beam for his houſe, and even food to eat. If (B) ſtops at this period, and works no more, he will find himſelf juſt upon a level with (A); ſo ſoon as his fire is burnt out, his beam rotten, and his food conſumed, and the whole balance will be found in favor of (C), providing that by his induſtry he has been able to procure for himſelf all neceſſaries, and preſerve the piece of coin entire. Here then is the ſpur to induſtry; to wit, the acquiſition of this balance, which gives a relative ſuperiority even among thoſe of the loweſt claſſes, and determines their rank as well as their political-neceſſary, according to the principles laid down in the twenty-firſt chapter.

The eſſential characteriſtic of this vibration of the balance of wealth, is the change in the relative proportion of riches between individuals. But it muſt be obſerved, that under this ſecond ſpecies we are to conſider the change of proportion no farther than as it is produced by the circulation of a free adequate equivalent, of ſuch a nature as to be transferable to another hand without any diminution. The conſumption, therefore, is the only thing which makes the balance turn. While the conſumable commodity remains entire in the hands of the purchaſer, he ſtill remains poſſeſſor of the value, and may, by inverting the operation, return to the poſſeſſion of the ſame ſpecies of wealth he had before.

Here it may be aſked, if money be abſolutely neceſſary for producing a vibration of this balance by the means of conſumption. We may eaſily conceive the greateſt inequality between the numbers of a ſtate, without ſuppoſing the exiſtence of money. We may ſuppoſe the property of lands unequally divided, and a great ſurplus of ſubſiſtence found in the hands of one individual, which may by him be given in exchange for the produce of induſtry. Under ſuch circumſtances then it may be aſked, if without money there can be no ſuch thing as a vibration in the balance of wealth; ſuppoſing in this caſe, the term *wealth* to imply, in general, the means of purchaſing whatever man can perform or produce.

I anſwer, that no doubt the balance may be ſuſceptible of ſmall vibrations, becauſe even in the exchange of conſumable commodities, the conſumption may go on faſter on one ſide than on the other; but I think, unleſs the inconſumable fund of wealth (which is what gives the ſuperiority, and which in the example alledged, we ſuppoſed to be coin) can be made to change hands according to the adequate proportion of the conſumption made, we cannot ſay properly, that a vibration can be operated in any conſiderable degree.

Let us ſuppoſe (A) to be a proprietor of a bit of land, and (B) an induſtrious workman; in order that (B) may purchaſe the land of (A,) it muſt be ſuppoſed that (A) is very extravagant, and that he inclines to conſume a much greater proportion of work than what is equivalent to all the ſurplus-produce of his land.

Now in order to ſupply (A) to the value of the land itſelf, (B) muſt diſtribute his work to many different perſons, and take in exchange, not ſuch things as he has uſe for himſelf, but ſuch as may be found uſeful to (A). But ſo ſoon as (A) has pait to (B) the whole ſurplus of his land, what fund of credit will he find in orderto engage (B) to furniſh more? He cannot pay him in land, becauſe this fund is not ſuſceptible of circulation; and every expedient that could be fallen upon to keep accounts clear between them, is neither more or leſs than the introduction of *money*, either *real* or *ſymbolical*. Theſe terms muſt be explained.

By real money, is meant what we call coin, or a modification of the precious metals, which by general agreement among men, and under the authority of a ſtate, carries along with it its own intrinſic value.

By ſymbolical money, I underſtand what is commonly called credit, or an expedient for keeping accounts of debt and credit between parties, expreſſed in thoſe denominations of money which are realized in the coin. Bank notes, credit in bank, bills, bonds, and merchants books (where credit is given and taken) are ſome of the many ſpecies of credit included under the term *ſymbolical money*.

In the example before us, we may ſuppoſe that (A) having no more circulating equivalent to give (B) for his work, and being deſirous to conſume of it to the value of his land, ſhall agree to iſſue notes of hand, every one of which ſhall carry in it a right to an acre of land, to a fruit tree, to ten yards

of the courſe of a river, &c. and that every ſuch parcel of property, ſhall be eſteemed at a certain proportion of work. This agreement made, he goes on with his conſumption, and pays regularly, and adequately, the value of what he receives; and in proportion as conſumption proceeds on the ſide of (A), the balance of wealth muſt turn in favor of (B); whereas while (A) kept his bit of land, and (B) his faculty of working up an equivalent for the ſurplus of it, the balance ſtood even; becauſe the land on one hand, and the induſtry on the other, produced adequate equivalents for each other. The produce of both was conſumable, and ſuppoſed to be conſumed; which operation being over, the land and the induſtry remained as before, ready to produce anew. Here then is the effect of credit or ſymbolical money; and here I aſk, whether or not the notes of hand given by (A) to (B), do not contain as real a value, as if he had given gold or ſilver? and farther, whether or not it appears, that the country where they live becomes any richer by this invention? does this note any more than declare who is the proprietor of the value contained?

Nothing is ſo eaſy as to invent a money which may make land circulate as well as houſes, and every other thing which is of a nature to preſerve the ſame value during the time of circulation. Whatever has a value, may change hands for an equivalent, and whenever this value is determined, and cannot vary, it may be made to circulate; and in the circulation to produce a vibration in the

balance of wealth, as well as a pound of gold or ſilver made into coin.

Thoſe nations, therefore, who only circulate their metals, confine induſtry to the proportion of the maſs of them. Thoſe who would circulate their lands, their houſes, their manufactures, nay their perſonal ſervice, even their hours, might produce an encouragement for induſtry far beyond what could be done by metals only. And this may be done, when the progreſs of induſtry demands a circulation beyond their power.

This anticipation of the ſubject of the following book, is here thrown in, only to enable my reader to form to himſelf an idea of the extent of the ſubject we are at preſent upon, and to help him to judge to what length luxury, that is conſumption, may be carried. Since, by what we have ſaid, it appears that there is no impoſſibility for a people to throw the whole intrinſic value of their country into circulation. All may be cut into paper, as it were, or ſtamped upon copper, tin, or iron, and made to paſs current as an adequate equivalent for the produce of induſtry, and as there is no bounds to be ſet to conſumption and prodigality, it might be poſſible, by ſuch an invention, in the compaſs of a year, to circulate an equivalent in conſumable commodities produced by induſtry, for the whole property of the moſt extended and moſt wealthy kingdom. That this is no chimerical ſuppoſition, appears plain by the activity of many modern geniuſes, who, in an inconſiderable ſpace of time, find means to get through the greateſt fortunes; that is

to ſay, in our language, they throw them into circulation by the means of the ſymbolical money of bonds, mortgages, and accounts. But does this ſpecies or circulation increaſe the riches of a ſtate? ſurely no more than it would increaſe the riches of France or England, to carry all the plate in the two kingdoms to be coined at the mint. The uſe of ſymbolical money is no more than to enable thoſe who have effects, which by their nature cannot circulate (and which, by the bye, are the principal cauſe of inequality) to give an adequate circulating equivalent for the ſervices they demand, to the full extent of all their worth. In other words, it is a method of melting down, as it were, the very cauſes of inequality, and of rendering fortunes equal.

The patrons therefore of Agrarian laws and of univerſal equality, inſtead of crying down luxury and ſuperfluous conſumption, ought rather to be contriving methods for rendering them more univerſal. If they blame what is called perpetual ſubſtitutions of property or entails (made by parents in favor of their poſterity as yet unborn) becauſe they are in ſome reſpects prejudicial to induſtry; they ſhould not, I think, find fault with that charming leveller *diſſipation*, that nurſe of induſtry, and the only thing intended to be prevented by ſuch diſpoſitions.

Some have perſuaded themſelves, that an equality of fortune would baniſh luxury and ſuperfluous conſumption. Among the reſt, is M. de Monteſquieu, an author for whom I have the higheſt

eſteem, and who has, in this reſpect, been copied by many others. But I never found his idea ſet in a clear light. Equality of fortune would certainly change the nature of luxury, it would diminiſh the conſumption of ſome, and would augment the conſumption of others; but without making people idle, it could never deſtroy induſtry itſelf, and while this ſubſiſts in an equal degree, there muſt be the ſame quantity of what it produces regularly conſumed. Farther, this propoſition never can be advanced, but on the ſuppoſition that the luxurious perſon, that is the conſumer, muſt be richer than he who ſupplies him. This I cannot by any means admit to be true. Muſt the carter who drinks a pot of beer be richer than the alehouſeman? Muſt a country girl who buys a bit of ribband, be richer than the haberdaſher who ſells it? Muſt the beau be richer than his taylor? the traveller than the banker who gives him his money? the client than the lawyer? the ſick than the phyſician?

How then does it appear that equality muſt prevent luxury, unleſs we ſuppoſe every one confined to an abſolute phyſical-neceſſary, and either deprived of the faculty of contriving, or of the power of acquiring any thing beyond it. This principle Lycurgus alone laid down for the baſis of his republic; and yet riches were known in Sparta as well as proverty.

Abſolute equality, *de facto*, is an abſurd ſuppoſition, if applied to human ſociety. Muſt not frugality amaſs, and prodigality diſſipate? Theſe oppoſite diſpoſitions, are of themſelves ſufficient to deſtroy at

once, the beſt regulations for ſupporting equality, and, when carried to a certain length, muſt ſubſtitute in its place as great an inequality as the quantity of circulation is capable to produce. Whatever circulates, may ſtagnate. Why was there ſo great equality at Sparta? becauſe there was little circulation. Why are the Capucins in a ſtate of perfect equality? becauſe among them there is no circulation at all.

If therefore ſuch variations in the balance of wealth depend on the difference of *genius* among men, what ſcheme can be laid down for preſerving equality, better than that of an unlimited induſtry equivalent to an univerſal circulation of all property, whereby diſſipation may correct the effects of hoarding, and hoarding again thoſe of diſſipation? This is the moſt effectual remedy both againſt poverty and overgrown riches? becauſe the rich and the poor are thereby perpetually made to change conditions. In theſe alterations in their reſpective ſituations, the parties who are changing by degrees, muſt ſurely in their progreſs towards a total alteration become, at one time or other, upon a level, that is, to an equality; as the buckets in a well meet, before they can paſs one another.

3*tio*. The firſt ſpecies of things incorporeal, which may be purchaſed with money, is perſonal ſervice; ſuch as the attendance of a menial ſervant, the advice of a phyſician, of a lawyer, the aſſiſtance of ſkilful people in order to acquire knowledge, the ſervice of thoſe employed in the adminiſtration of public affairs at home and abroad, or for the defence of a kingdom by ſea, or land; the reſidence of great

men at court, who do honor to princes, and make their authority reſpected; and even when money is given to procure amuſement, pleaſure, or diſſipation, when no durable and transferable value is given in return.

There is a kind of reſemblance between the ſpecies here enumerated, and what we called the *uſeful value* in conſumable commodities. In the one and the other, there is an equivalent given for a man's time uſefully employed; but the difference between them lies in this: that the *uſeful value* being ſupported, or having for a ſubſtratum, as the ſchoolmen call it, the intrinſic ſubſtance, is thereby rendered permanent and vendible; whereas here, for want of a permanent and transferable ſubſtance, the perſonal ſervices though producing advantages which are ſufficiently felt, cannot however be transferred for the adequate price they coſt.

The circulation produced by this third ſpecies of acquiſition, operates an inſtantaneous vibration of the balance. The moment the perſonal ſervice is performed, it may be ſaid to be conſumed; and although the purchaſer has received a juſt equivalent for the money given, and in ſome caſes may even be thereby put in a ſituation to indemnify himſelf of all his expenſe, by performing the like ſervices to others, yet every body muſt perceive that ſuch ſervices cannot properly be conſidered as a circulation of the former.

4*to*. The acquiſition of the other ſpecies of things incorporeal, that is rights, produces little more balance, when an adequate circulating equivalent

is given for them, than the ſale of land; becauſe a right implies no more than a power to uſe, that is, to conſume; and by the uſe, the right is not diminiſhed: it is balanced by the uſe of the money; the money therefore and the right being both permanent, there is no vibration in the ſcales. Of this ſpecies are all ſervitudes; the purchaſing of privileges or immunities, even the lending of money at intereſt, may here not improperly be claſſed.

Here it will, perhaps, be alledged, that an example be given, where the creation of ſuch a right, though purchaſed with an adequate circulating equivalent, produces the greateſt vibration in the balance of wealth poſſible. It is when a ſtate contracts debts, and when the public creditors acquire a right to general impoſitions on the people for the payment of their intereſt.

This objection requires a little explanation, and I have propoſed it chiefly for the ſake of introducing an illuſtration of my ſubject.

If it be ſaid, that in this example a vibration in the balance of wealth *within the ſtate* is implied, then I ſay that it muſt take place either 1ſt. between the creditors and the ſtate, or 2d. between the ſtate and the people, or 3d. between the creditors and the people, But.

1*mo.* The creditors acquire no balance againſt the ſtate, becauſe they have given one inconſumable commodity for another; to wit, money for an annual income. The money is worth the income, the income is worth the money. If therefore any change in the balance comes afterwards to take place, it

muſt be in conſequence of other operations quite independent of this tranſaction. But let us ſuppoſe, which is but too frequently the caſe, that here money muſt be conſidered as a conſumable commodity, becauſe it is only borrowed to be ſpent. In this light does not the creditor ſeem to acquire a balance in his favor againſt the ſtate, ſo ſoon as the money is actually ſpent. I anſwer in the negative: becauſe a ſtate by expending the money borrowed, remains with reſpect to the creditors juſt as wealthy as before. It is the people who pay the intereſt, for which the ſtate gives them in return no adequate *transferable* equivalent.

2*do*. Here it is urged, that this being the caſe, the ſtate has acquired a balance againſt the people according to the principles above laid down, where it was ſaid, that upon occaſions, where money is given for perſonal ſervice, and where nothing transferable is given in return, the balance turns inſtantaneouſly in favor of him who received the money.

To this I anſwer, that as to the intereſt paid by the people, the ſtate does not receive it for herſelf, but for the creditors. The perſonal ſervices are then ſuppoſed to be already paid for, and the vibration has taken place before the intereſt becomes due. Therefore the balance does not turn between the ſtate and the people.

In levying of taxes which are deſtined to pay the intereſt of money already ſpent, the public gives no adequate equivalent on one hand; and on

the other, it is not enriched with reſpect to the people, any more than it was impoveriſhed with reſpect to the creditors, by ſpending the money borrowed; and ſince there is no reciprocal change in the ſituation of the two parties, I do not ſee how we can infer any vibration in the balance of wealth between them. We ſhall preſently ſee between whom the balance is made to vibrate.

3*tio.* The balance between the creditors and the people is what at firſt ſight appears to be principally affected; becauſe the firſt receive a conſtant retribution from the latter, in conſequence of the loan. But neither is any true vibration found here, either adequate to the loan, or to the money ſpent. 1*mo.* Becauſe the creditors themſelves are part of the people who contribute towards all impoſitions on conſumptions, which are commonly the moſt regular, the moſt permanent, and the moſt familiarly appropriated for the payment of the intereſt. 2*do.* Becauſe the money ſpent by the ſtate, if ſpent at home, returns to other hands indeed, but ſtill returns to the people, of whom we are here ſpeaking. And 3*tio.* becauſe there is no tranſaction at all between the creditors and the people.

Objection. By this way of reaſoning it would appear, that the exhauſting a people by taxes, makes no vibration in the balance of their wealth.

Anſwer. If the people be exhauſted, it muſt be by enriching ſtrangers. This caſe ſhould at preſent be excluded, as we have laid aſide the conſideration of foreign relations. But allowing this circumſtance alſo to be implied in the objections

made, I agree that every penny of money ſent out of a country, for no real and permanent equivalent received in return, operates a vibration in the wealth between nation and nation; but none between ſubject and ſubject. To this it is anſwered, that when taxes are high, many people are ruined while others are enriched. This operates a vibration. I allow it; but then I reply, that by the very ſuppoſition in every ſuch caſe, the money muſt remain at home; whereas in the former, it was ſuppoſed to be expended abroad. Now we are not at preſent examining the effects of debts and taxes, in changing the balance between man and man, but only between the three cumulative intereſts above ſpecified, the ſtate, the people, and the creditors.

Let me now aſk, what is the effect of taxes on the vibration of the balance of wealth between individuals?

I anſwer, that whoever pays a tax, appears to pay for a perſonal ſervice. He receives no corporeal equivalent which can be alienated by him for the ſame value; and he who is employed by the ſtate, and is paid with the produce of taxes, acquires a balance in his favor againſt thoſe who pay them. When the amount of taxes goes abroad for foreign ſervices, there can be no alteration upon the balance at home, as has been ſaid; neither is there any when it remains at home: the people and the creditors are as rich as before. Let this ſuffice at preſent, as to the effects of debts and taxes upon the balance of national wealth.

Induſtry

Induſtry is the only method of making wealth circulate, ſo as to change its balance between the parties; all kinds of circulation which operate no ſuch change, are foreign to the preſent purpoſe.

A man dies and leaves his wealth to another, no body loſes by this, but he who is no more; a ſecond pays his debts, neither debtor, or creditor can be ſaid to change circumſtances by the operation. A merchant buys a quantity of merchandize for ready money, he thereby loſes no balance of his wealth; it is true he has given money for conſumable effects; but the balance does not operate until the conſumption takes place, and as he is not ſuppoſed to buy in order to conſume, I rank this branch of circulation among thoſe which do not influence the balance.

Thus we find two different kinds of circulation in a ſtate; one which makes the balance turn, and one which does not. Theſe objects are of no ſmall conſequence to be attended to in the right impoſition of taxes, as ſhall, in its proper place, be more fully explained. At preſent it is ſufficient to obſerve, that the proper time of laying on taxes is at the time of circulation: becauſe the impoſition may then be always exactly proportioned to the ſum circulating; conſequently, to the faculties of the perſons ſeverally intereſted.

In all exciſes, or taxes upon conſumption, it is the money of the conſumer which is taxed, in the inſtant of the payment; ſo that he againſt whom the balance is to turn, has the additional load to pay. This ſpecies of tax, impoſed at the time of circulation, is what produces the largeſt ſums to a ſtate. I never heard of

a proper expedient for taxing the perſon in whoſe favor the balance is to turn, though from the principles which are afterwards to be laid down, we may perhaps diſcover one.

As for the other ſpecies of circulation, where the balance does not turn, it is not ſo much the cuſtom to impoſe very conſiderable taxes upon it: there are however ſeveral examples to be met with, which point out how they may be impoſed. The caſualties paid upon the change of vaſſals, or upon the fall of lives, in leaſes upon lands in England; the confirmation of teſtaments in Scotland; inveſtitures in Germany; the *centième denier*, the *lots & ventes*, and the *controle* upon the acts of notaries in France; the emoluments of the *Rota* in Spain, and in many Roman Catholic countries, are of this ſpecies. Upon the ſame principle, taxes more or leſs conſiderable might be laid upon every branch of this kind of circulation; for which purpoſe, it would be highly neceſſary to find out all the ramifications of it, by analyzing it to the bottom, as we have hitherto run through it very ſuperficially.

CHAP. XXVII.

Circulation and the Balance of Wealth, objects worthy of the attention of a modern Stateſman.

HAVING explained the nature of circulation, and of this balance, we are next to point out the objects of a ſtateſman's attention concerning them.

I. *He ought to form to himſelf a clear and diſtinct idea of the nature, properties, and effects of circulation; a word frequently made uſe of without much meaning, and in a vague and undetermined ſenſe.*

The term *circulation* is, perhaps, one of the moſt expreſſive in any language, and is therefore eaſily underſtood. It repreſents the ſucceſſive tranſition of money, or transferable commodities, from hand to hand, and their return, as it were in a circle, to the point from which they ſet out. This is the rough idea which every one, who underſtands the word at all, muſt form of its meaning. But a ſtateſman's perceptions muſt be more accurate as well as more complex.

He muſt combine the conſequences which reſult from this ſucceſſive tranſition, and attend to the effects produced by it. He muſt not only conſider the money, which is a permanent value, paſſing from hand to hand, but weigh the conſequences of the variety of conſumption which it draws along with it, in its progreſs.

Before a guinea can travel from London to York, it may be the means of conſuming a thouſand times its value, and as much more, before it can return to London again. Every ſtep the guinea makes in its courſe, marks a want of deſire to conſume, in him who poſſeſſes it. If, therefore, in any country, there were but one guinea in circulation, all conſumption would ſtop (or barter would take place) the moment it fell into the hands of a miſer. This leads us to the ſecond object of a ſtateſman's attention.

II. *He ought at all times to maintain a juſt propor-*

tion between the produce of induſtry, and the quantity of circulating equivalent, in the hands of his ſubjects, for the purchaſe of it; that, by a ſteady and judicious adminiſtration, he may have it in his power at all times, either to check prodigality and hurtful luxury, or to extend induſtry and domeſtic conſumption, according as the circumſtances of his people ſhall require the one or the other corrective, to be applied to the natural bent and ſpirit of the times.

For this purpoſe, he muſt examine the ſituation of his country, relatively to three objects, viz. the propenſity of the rich to conſume; the diſpoſition of the poor to be induſtrious; and the proportion of circulating money, with reſpect to the one and the other.

If the quantity of money in circulation is below the proportion of the two firſt, induſtry will never be able to exert itſelf; becauſe the equivalent in the hands of the conſumers, is then below the proportion of their deſires to conſume, and of thoſe of the induſtrious to produce. Let me illuſtrate this by a familiar example taken from a party at quadrille.

When, on dealing the cards, every one puts in a fiſh into the ſtake, according to the old Engliſh faſhion, a very few are ſufficient for the circulation of the game: but when you play the aces, the conſolation and the multiplication of beaſts according to the French cuſtom, you muſt have a box with contracts, fiſhes, and counters; ſo reducing all to the loweſt denomination, every player has occaſion for above five hundred marks. It is therefore plain, that the number of marks muſt be in proportion to the circu-

lation of the game. But at play, as in a ſtate, circumſtances render this circulation very irregular. Fortune may run ſo equally among the players, during a conſiderable time, that none of them may have occaſion to pay away above the value of a hundred counters, and while this equality continues, there is not found the ſmalleſt interruption in the circulation. But let one of the players have a run of luck, you will ſoon ſee three of the boxes empty, and all the circulating marks heaped up before the winner. Fortune at quadrille, forms ſtagnations of the circulating equivalent, as induſtry and frugality form them in a ſtate. At this period of the game, muſt not the players ſtop, or muſt they not fall upon a way of drawing back their marks into circulation? If they borrow back from the winner, this repreſents loan. If they buy back their marks with money from their purſes, it repreſents what I call throwing ſolid property into circulation.

From this familiar example, we may judge how neceſſary it is that the circulating fund be conſtantly kept up to the proportion of the occaſions for it. It is impoſſible to determine the proportion of coin neceſſary for carrying on the circulation of a country eſpecially of one where neither loan, or paper credit that is the melting down of ſolid property, are familiarly known. Here is the reaſon: the ſolution of the queſtion does not depend upon the quantity of coin alone, but alſo upon the diſpoſition of thoſe who are the poſſeſſors of it; and as theſe are conſtantly changing, the queſtion thereby becomes inſoluble.

It is, therefore, the buſineſs of a ſtateſman, who intends to promote circulation, to be upon his guard againſt every cauſe of ſtagnation; and when he has it not in his power to remove theſe political obſtructions, as I may call them, by drawing the coin of the country out of its repoſitories; he ought (in proportion as the other political intereſts of his people are found to require it) to facilitate the introduction of ſymbolical money to ſupply its place.

A great political genius is better diſcovered by the extent of his perceptions, than by the minute exactneſs of them in every part of the detail. It is far better for a ſtateſman to be able to diſcern (though ſuperficially) every object of government under all its relations, than to be able to trace any one with the greateſt accuracy. This is apt to occupy him too much, and no one relation ſhould ever engroſs his whole attention.

I cannot omit in this place taking notice of a very judicious remark of M. de Melon, an eminent political French writer, who was employed by the Duke of Orleans in ſtate affairs, during his regency of the kingdom.

"It belongs only (ſays he) to one who has had "the direction of every branch of government to lay "down a general plan of adminiſtration, and even "then, one muſt not expect from ſuch a perſon, very "particular details with reſpect to many objects, of "which he himſelf is entirely ignorant, and which "he has been obliged to confide to the care of others "ſubordinate to him. A perſon who can ſtoop to a "minute exactneſs in ſmall affairs, proves commonly

" very unequal to the adminiſtration of great ones. " It is enough for ſuch a perſon to know principles " by experience and reflection, and to apply funda- " mental maxims as occaſion requires."

I apply this obſervation to the point in hand. A ſtateſman who allows himſelf to be entirely taken up in promoting circulation, and the advancement of every ſpecies of luxurious conſumption, may carry matters too far, and deſtroy the induſtry he wiſhes to promote. This is the caſe, when the conſequences of domeſtic conſumption raiſes prices, and thereby hurts exportation.

A principal object of his attention muſt therefore be, to judge when it is proper to encourage conſumption, in favor of induſtry; and when to diſcourage it, in favor of a reformation upon the growth of luxury.

If the country he governs be in a ſtate of ſimplicity, and that he wiſhes to awaken a taſte for induſtry and refinement, he muſt, as has been ſaid, encourage domeſtic conſumption, for the ſake of multiplying, and giving bread to the induſtrious; he muſt facilitate circulation, by drawing into the hands of the public what coin there is in the country, in caſe he finds any part of it locked up; and he muſt ſupply the actual deficiency of the metals, by ſuch a proportion of paper credit, as may abundantly ſupply the deficiency.

In every country where ſimplicity prevails, and where there is any conſiderable quantity of coin, a great proportion of it muſt be locked up: becauſe the conſumption there muſt be ſmall; conſe-

quently, little circulation; conſequently, either little coin, or many treaſures. In ſuch caſes, therefore, a ſtateſman muſt engage the poſſeſſors of theſe riches to part with them, at the deſire of thoſe who can give ſecurity for their worth: and he muſt eſtabliſh the ſtandard of an annual retribution for the loan. If this be difficult to be brought about, from the want of confidence in the monied men, he may, in their favor, contrive expedients to become the borrower himſelf, at the expenſe of the alienation of certain rights, or the creation of new privileges, in lieu of intereſt; and when he has engaged them to part with their coin, he may lend it out to ſuch as have both ſolid property and a deſire to conſume; but who, for want of a circulating fund to purchaſe ſuperfluities, have hitherto lived in ſimplicity.

The introduction, therefore, of loans upon intereſt, is a very good expedient to accelerate circulation, and give birth to induſtry.

Obj. But here it is objected, that ſuch a plan is looked upon by ſome nations to be contrary to the precepts of the chriſtian religion, and therefore a ſtateſman cannot permit it.

To this I can make no anſwer, becauſe I am no caſuiſt; but I can propoſe an expedient which will ſupply the defect of borrowing at intereſt; and as it may ſerve to illuſtrate the principles I am now upon, I ſhall here introduce it.

The intention of permitting loans upon intereſt, is not to provide a revenue to thoſe who have ready money locked up, but to obtain the uſe of a

circulating equivalent to thoſe who have a ſufficient ſecurity to pledge for it. If the ſtateſman, therefore, ſhall find himſelf withheld by the canons of his church, from drawing the coin of his ſubjects into circulation, by permitting the loan of it upon intereſt, nothing is more eaſy than to invent another ſpecies of circulation, where no intereſt at all is neceſſary.

Let him open an office, where every proprietor of lands may receive, by virtue of a mortgage thereon, a certain proportional value of circulating paper of different denominations, the moſt proper for circulation. He may therein ſpecify a term of payment in favor of the debtor, to give him an opportunity to call in his obligation, and relieve the engagement of his property. But that term being elapſed, the land is to belong to the creditor, or the paper to become payable by the ſtate, if required, which may in conſequence become authorized either to ſell the land engaged, or to retain a proportional value of the income, or of the property of the land itſelf, as ſhall be judged moſt expedient.

Farther, let him conſtitute a real ſecurity for all debts upon every ſpecies of ſolid property, with the greateſt facility in the liquidation of them, in favor of thoſe who ſhall have given credit to the proprietors for merchandiſe of any kind. To compaſs this, let all entails, ſubſtitutions, and *fidei commiſſa*, or truſts, reſtraining the alienation of land-property, be diſſolved; and let ſuch property be rendered as ſaleable as houſhold furniture. Let ſuch principles influence the ſpirit of the government; let this ſort of paper credit be modified

and extended according to circumſtances, and a taſte for conſumption will ſoon take place.

The greateſt of all obſtacles to induſtry in its infancy, is the general want of credit on both ſides. The conſumers having no circulating value, the difficulty of liquidating what they owe by the alienation of their lands, prevents their getting credit; and the many examples of induſtrious people giving way, on account of bad payments, diſcourages others from aſſiſting them in the beginning of their undertaking.

From theſe principles we may gather, that a ſtateſman who intends to increaſe induſtry and domeſtic conſumption, ſhould ſet out by providing a circulating fund of one kind or other, which ought always to be ready, and conſtantly at the command of thoſe who have any ſort of real equivalent to give for the conſumption they incline to make: for as ſpecie may often times be wanting, a contrivance muſt be fallen upon immediately to ſupply that want.

The utility of this kind of credit, or paper money, is principally at the inſtant of its entering into circulation, becauſe it is then only that it ſupplies the want of real ſpecie; and by this invention, the deſire to conſume creates, as it were, the circulating equivalent, without which the alienation of the produce of induſtry would not have taken place; conſequently, the induſtry itſelf would have ſuffered a check.

But in the after circulation of this paper money from hand to hand, this utility comes to ceaſe; becauſe the ſubſequent conſumer, who has another

man's paper to give in exchange, is already provided with a circulating equivalent, and therefore were it not for the wearing of the ſpecie, or difficulty of procuring it, it is quite indifferent both to the ſtate, as well as to circulation, whether this paper continues to paſs current, or whether it be taken up, and realized by the debtor, and gold and ſilver be made to circulate in its place.

Let me now endeavour to make this whole doctrine ſtill more plain, by an example.

Suppoſe a country where there is a million of pieces of gold employed neceſſarily in carrying on the ordinary circulation, a million of pieces of the ſame value locked up, becauſe the proprietors have no deſire to ſpend them. Suppoſe the revenue of the ſolid property of the country to be worth alſo a million a year; and that if the fund itſelf could be ſold, it might be worth twenty millions of the ſame ſpecie. Suppoſe no ſuch thing as credit or paper money to be known, and that every man who inclines to make any conſumption, muſt be provided previouſly with a part of the circulating million, before he can ſatisfy his inclination.

Under theſe circumſtances, the ſtateſman reſolves to eſtabliſh induſtry, and finding that by his people's taking a taſte for a greater conſumption, the million which was formerly ſufficient for carrying on circulation, is no longer ſo; he propoſes to thoſe who have the other million locked up, to borrow it from them at 5 *per cent.* and the better to engage them to comply with his propoſal, he offers to impoſe duties upon the whole of the inhabitants to the annual

amount of fifty thouſand pieces of gold, to be paid annually to the creditors, in return for their treaſure. If this ſcheme be adopted, he may lend out his million in ſmall ſums, to every one who inclines to borrow, upon good ſecurity; or by premiums and other encouragements given to his infant manufactures, he may throw it into the hands of the public, that is, into circulation. Here is one method of increaſing the quantity of a circulating fund, when an augmentation upon the conſumption of the produce of induſtry comes to demand it.

But let us now ſuppoſe this regular plan of borrowing to be contrary to what is called the conſtitution of the ſtate; to religion, or to the ſpirit of the people, what muſt be done to ſupply the place of ſuch a ſcheme?

The ſtateſman muſt then fall upon another contrivance, by extending the uſe of pledges, and inſtead of moveables, accept of lands, houſes, &c. The *Monte pietà* at Rome iſſues paper money upon moveable ſecurity depoſited in their hands. Let the ſtateſman, without exacting intereſt, do the ſame upon the lands of his ſubjects, the beſt of all ſecurities. While the lands ſubſiſt, this paper money muſt retain its value; becauſe I ſuppoſe the regulations to be ſuch as to make it convey an indiſputable right to the lands engaged. The advantage of ſuch an eſtabliſhment will be, that as formerly no man could purchaſe the ſmalleſt produce of induſtry, without having a part of the circulating million of pieces of gold; every body now who has an inclination to conſume, may immediately procure money in pro-

portion to his worth, and receive in return whatever he deſires to poſſeſs.

Now let me ſuppoſe that this paper money ſhall in time, and from the growing taſte for ſuperfluities, amount to the value of five millions of pieces of gold. I aſk, whether the real value of this paper is any way diminiſhed, becauſe it exceeds, by far, all the gold and ſilver in the country, and conſequently cannot all at once be liquidated by the means of the coin? Certainly not: becauſe it does not draw its value from any repreſentation of theſe metals, but from the lands to which it conveys a right. Next, I aſk, if the country is thereby become any richer? I anſwer, alſo, in the negative: becauſe the property of the lands, if ſold, being ſuppoſed worth twenty millions, the proprietors of the paper are here ſuppoſed to have acquired, by their induſtry, five millions of the twenty; and no more than the remaining fifteen millions belong to the landlords.

Let us now ſuppoſe a million of this paper money to fall into the hands of thoſe who have no inclination to ſpend it. This is the caſe of the frugal, or money hoarding perſons, and they will naturally chuſe to realize their paper, by taking poſſeſſion of the lands repreſented by it. The moment this operation takes place, the million of paper money is annihilated, and the circulating capital is reduced to four millions of paper, and one million of ſpecie. Suppoſe, on the other hand, that thoſe who have treaſures which they cannot lend at intereſt, ſeeing a paper money in circulation, which

conveys a right to ſolid property, ſhall purchaſe it with their million of pieces of gold, and then lay hold of a proportional part of the land: what effect will this double operation produce upon the circulating fund? I anſwer, that inſtead of being compoſed as formerly, of one million of coin and five millions of paper, it will, at firſt, on the buying up of the paper, conſiſt of two millions of coin and five millions of paper; and ſo ſoon as the million of paper bought up comes to be realized upon the land, and thereby extinguiſhed, the circulating coin will be two millions, and the paper will be reduced to four. Here then is a very rational method of drawing all the coin of the country from the treaſures of the frugal, without the help of intereſt. Let me take one ſtep farther, and then I will ſtop, that I may not too far anticipate the ſubject of the following book.

I ſuppoſe, that the ſtateſman perceiving that the conſtant circulation of the coin inſenſibly wears it away, and reflecting that the value of it is entirely in proportion to its weight, and that the diminution of the maſs muſt be an effectual diminution of the real riches of his country, ſhall call in the metals and depoſit them in a treaſure, and ſhall deliver, in their place, a paper money having a ſecurity upon the coin locked up. Is it not plain, that while the treaſure remains, the paper circulated will carry along with it as real (though not ſo intrinſic) a value as the coin itſelf could have done? But if this treaſure comes to be ſpent, what will the caſe be then? It is evident, that the paper conveying a right to the coin, will then as effectually loſe

its value, as the other ſpecies of paper conveying a right to the lands, and iſſued, as we have ſuppoſed, by the proprietors of them, would have done, had an earthquake ſwallowed up, or a foreign conqueror ſeized the ſolid property engaged as a ſecurity for this paper.

The expedient, therefore, of ſymbolical money, which is no more than a ſpecies of what is called credit, is principally uſeful to encourage conſumption, and to increaſe the demand for the produce of induſtry. And the bringing the largeſt quantity of coin poſſible into a country, cannot ſupply the want of it in this reſpect; becauſe the credit is conſtantly at hand to every one who has property, and the other may fail them on a thouſand occaſions. A man who has credit may always purchaſe, though he may be many times without a ſhilling in his pocket.

Whenever, therefore, the intereſt of a ſtate requires that the rich inhabitants ſhould increaſe their conſumption, in favor of the induſtrious poor; then the ſtateſman ſhould fall upon every method to maintain a proportion between the progreſs of induſtry, and the gradual augmentation of the circulating fund, by enabling the inhabitants to throw with eaſe their ſolid property into circulation whenever coin is found wanting. Here entails are pernicious.

On the other hand, when luxury begins to make too great a progreſs, and when it threatens to be prejudicial to foreign trade, then might ſolid property be rendered more unwieldy; and entails might then become uſeful: all moveable debts, except bills of exchange in foreign circulation, might be ſtripped

of their privileges, and particularly, as in France, of the right of arreſting the perſon of the debtor. Uſury ought then to be puniſhed ſeverely; even ſomething like the *Senatus Conſultum Macedonianum*, which made the contract of loan void on the ſide of the borrowers, while they remained under the power of their fathers, might be introduced. Merchants accounts ſhould no more be allowed to enjoy a preference to other debts; but on the contrary, be made liable to a ſhort preſcription. In a word, domeſtic circulation ſhould be clogged, and foreign circulation accelerated. When foreign trade again comes to a ſtop, then the former plan may be taken up a-new, and domeſtic circulation accelerated and facilitated, in proportion as the produce of induſtry and taſte of ſuperfluity require it.

III. *A ſtateſman ought careſully to diſtinguiſh between thoſe branches of circulation which operate a vibration in the balance of wealth, and thoſe which do not, in order to regulate the taxes which he may think proper to lay uponhis people.*

In treating of this third object of a ſtateſman's attention, I ſhall confine myſelf to the application of thoſe principles which point out the neceſſity of taxation among a luxurious people, become wealthy by the means of trade, where the induſtrious can no longer be made to ſubſiſt but by means of a great domeſtic circulation, which is the object of our preſent inquiry.

In every caſe where the balance of wealth is made to vibrate by circulation, there is an opportunity of impoſing a tax upon conſumptions, perfectly proportioned

portioned to the quantity of the circulation. Now by the impoſition of taxes, and the right employment of the amount of them, a ſtateſman has it in his power to retard or to promote the conſumption of any branch of induſtry. By the impoſition of duties he may either check luxury when he finds it calling off too many hands from other more neceſſary occupations; or by granting premiums, he may promote conſumption or exportation upon branches where it is expedient to increaſe the hands employed, which laſt is the reverſe of taxation; or in the third place, when foreign trade begins to bear a ſmall proportion to domeſtic conſumption, he may profit of luxury, and draw a part of the wealth of the luxurious into the public treaſure, by *gently* augmenting the impoſitions upon it; for when taxes are gently increaſed, conſumption is not checked; conſequently, this is the proper method to be followed, when luxury does no harm. But when it proves hurtful, the riſe in the impoſitions ſhould be ſudden, that they may operate the effects of violent revolutions which are always accompanied with inconveniencies, and on ſuch occaſions every inconvenience will mark the ſucceſs of the operation. An example will make this plain.

If you want to check the drinking of ſpirituous liquors, let every alteration of your economy concerning them, either as to the impoſitions upon the conſumption, or regulations in the retailing them, proceed by jerks as it were; if you want to increaſe the revenue, from the propenſity people have to poiſon themſelves with ſpirits, your augmentations and alterations may be gentle and progreſſive.

Here let me obſerve by the way, that the beſt method for a ſtateſman to curb any ſort of vice among his people, is to ſet out by facilitating the gratification of it, in order to bring it once upon a regular and ſyſtematical footing, and then by ſudden and violent revolutions in the adminiſtration of the economy of it, to deſtroy it and root it out.

Were all the ſtrumpets in London received into a large and convenient building, whither the diſſolute might repair for a while with ſecrecy and ſecurity, in a ſhort time, no looſe women would be found in the ſtreets. And it cannot be doubted, but that by having them all together under certain regulations, which might render their lives more eaſy than they are at preſent, the progreſs of debauchery, and its hurtful conſequences, might in a great meaſure be prevented. At Paris, they are to be found in their houſes, becauſe the police never troubles them there while they commit no riot or diſturbance. But when they are perſecuted in their habitations, they break forth into the ſtreets, and by the open exerciſe of their profeſſion, the delicacy of modeſty is univerſally hurt and but too frequently blunted, and the example that thoſe proſtitutes openly ſet to their own ſex, debauches more women than all the rakes in town do.

I hope this digreſſion will not be miſconſtructed into an apology for public ſtews, where, in place of following good regulations for ſuppreſſing the vices with which they are filled, the principal object is frequently to encourage the abuſes for

the ſake of making them turn to account as a branch of revenue. Such a plan of adminiſtration repreſents a ſtateſman who turns againſt his people, thoſe arms which he had provided for their defence. My intention is very different, it is to curb vice as much as poſſible, and to ſhut up what cannot be rooted out within the bounds of order, and to remove it as a nuiſance from the eyes of the public, and from the contagious imitation of the innocent. I now come to the object of a ſtateſman's attention, relative to that branch of circulation which implies no vibration of the balance of wealth between the parties concerned.

The more perfect and the more extended any ſtateſman's knowledge is of the circumſtances and ſituation of every individual in the ſtate which he governs, the more he has it in his power to do them good or harm. I always ſuppoſe his inclinations to be virtuous and benevolent.

The circulation of large ſums of money brings riches to light for a moment, which before and after are commonly hid from the eyes of the public. Thoſe branches of property therefore, which have once made their appearance in this ſpecies of circulation, ſhould not be loſt ſight of until they come naturally to melt away, by returning into the other branch of which we have been ſpeaking; that is, until they are fairly ſpent, and the balance be made to turn againſt the former proprietors of them. After this revolution, they will

circulate for a while in ſmall ſums, and remain imperceptible, but in time they will come to form new ſtagnations; then they will be lent out again, or employed in the purchaſe of lands; and falling once more under the eyes of the ſtate, they will again become an object of the ſame attention as formerly.

Nothing is more reaſonable, than that all property which produces an annual determined income, ſhould be made to contribute to the common burdens of a ſtate. But thoſe taxes which are intended to operate upon ſo moveable a property as ready money, ought to be impoſed with a moſt gentle hand, and even ſo as not to appear directly to affect it. The ſtateſman here muſt load his wealthy citizens with duties, as Horace loads his ſovereign with adulation, never addreſſing his compliments directly to the emperor, but conveying them to him in the moſt elegant manner, through the channel of an interpoſed perſon. Thus people poſſeſſing large capitals of ready money, which in a moment they can tranſport beyond the reach of the moſt extended juriſdiction, may have certain privileges granted them which may attach them to the country (in England, for example, a vote in a county or borough) and then in conſequence of their rank, not becauſe of their money, be made to come under a ſort of capitation, or other ſimilar impoſition bearing another name. Might not the creditors of that nation be repreſented in parliament, and in conſequence of ſo great a privilege, and the additional ſecurity thereby granted to the funds, be made afterwards to

come under taxations as well as other proprietors of a determined revenue. An admirable hint for the impoſition of ſuch taxes, is to be met with in a certain great European monarchy, where the higheſt order of knighthood is diſtinguiſhed with a ribband, a ſtar, and a penſion of about a hundred and thirty pounds ſterling a year. But ſo ſoon as any one is raiſed to that dignity, he pays exactly that very ſum in lieu of capitation. The penſion was given by the prince who inſtituted the order; the capitation followed in a ſubſequent reign, and now appears rather a mark of diſtinction than a burden.

IV. *The next object of a ſtateſman's attention proper to be taken notice of, is the different political conſiderations which muſt occur to him when he compares the turning of the balance of wealth againſt the induſtrious members of a ſtate, with thoſe vibrations which take place againſt the not working part of the inhabitants. In other words, the different effect of taxes, as they ſeverally affect thoſe who conſume in order to reproduce, and thoſe who conſume in order to gratify their deſires.*

The one and the other conſumption implies a vibration in the balance of wealth, and whenever there is a vibration, there we have ſaid that a proportional tax may be impoſed.

But as the intention of taxes, as I underſtand them, is only to advance the public good, (by throwing a part of the wealth of the rich into the hands of the induſtrious poor, and not to exhauſt one part of a nation to enrich another, no neceſſary article of conſumption ſhould be taxed to an induſtrious perſon, but in ſuch a way as to enable him to draw

the full amount of it, from thoſe who conſume his work. By this means, the whole load of taxes muſt fall upon the other category of inhabitants, to wit, thoſe who live upon the produce of a fund already acquired.

Let me here obſerve, by the way, that if taxes are rightly laid on, no induſtrious perſon, any more than another who lives upon his income, will ever be able to draw back one farthing of ſuch impoſitions as he has paid *upon his conſumption of ſuperfluity.* This ſhall in its proper place be made ſufficiently plain; at preſent it would be a ſuperfluous anticipation of the doctrine of taxation, to point out the methods of compaſſing this end. My intention at preſent is only to recapitulate the objects of a ſtateſman's attention, with regard to the conſequences of circulation, and the vibrations of the balance of wealth; and having ſhown how nearly thoſe principles are connected with thoſe of taxation, this alone is ſufficient to ſhow their importance.

V. *A ſtateſman ought to attend to the difference between the foreign and domeſtic circulation of the national wealth.*

This object, though in part relative to foreign commerce, muſt not be paſſed over without obſervation. In fact, there is no nation entirely deprived of foreign communications; therefore, although a ſtateſman, who is at the head of a luxurious people, may act in general as if there were none at all, yet ſtill he muſt be attentive to the conſequences of circulation with his neighbours, in ſo far as it takes place.

Every commercial correſpondence with foreign

nations, not carried on by the exchange of conſumable commodities, muſt produce a vibration of the balance of wealth, either in favor or prejudice of the intereſt we have in our eye. But it does not follow, becauſe there is a vibration, that therefore a ſtateſman has the ſame liberty of impoſing taxes upon every article of conſumption, as if the two ſcales were vibrating within the country ſubject to his adminiſtration.

When the conſumers are his ſubjects, he may ſafely impoſe the tax, and if he raiſes it by degrees, ſo high as to diminiſh the conſumption, and reduce the amount of the impoſition, he will probably gain on the other hand, by diſcouraging the foreign importation, and by keeping the nation's wealth at home, more than he poſſibly could have got by the amount of his tax, in conſequence of the diſſipation of it.

When the foreigners are the conſumers, the caſe is very different; for you cannot oblige a man who is not your ſubject, to pay beyond the advantage he gains by your correſpondence. It is therefore, as has been ſaid, only upon the exportation of goods, where the nation has great natural advantages over her neighbours, that any duty can be raiſed.

VI. The laſt object I ſhall mention as worthy of a ſtateſman's attention, is, *the rules of conduct he ſhould preſcribe to himſelf, as to the extending or contracting taxation, according as he finds a variation in the proportion between the* FOREIGN *and* DOMESTIC *circulation of his country.*

For this purpoſe he muſt know exactly the proportions of the one and the other; he muſt compare the quantity of domeſtic conſumption, with the produce of induſtry and quantity of importations.

If domeſtic conſumption be equal to the ſum of both, the country muſt annually loſe the value imported. In this caſe, taxes are to be raiſed by ſudden jerks, eſpecially upon importations; not to increaſe the produce of them, but to prevent the increaſe of luxury, and diſſipation of national wealth.

If domeſtic conſumption do not exceed the produce of induſtry, this will prove that exportation is at leaſt equal to importation. In this caſe the exportation muſt be ſupported; and when that can no otherwiſe be done, a part of the taxes levied upon home conſumption muſt be diſtributed in premiums upon the articles of exportation; and when this alſo becomes ineffectual, then all importations for conſumption muſt be cut off, according to the principles above laid down.

If the domeſtic conſumption ſhould really fall ſhort of the produce of induſtry, it marks a flouriſhing foreign trade. Prices then muſt be kept low, as has been abundantly explained; conſequently, there will be leſs profit from taxes; becauſe every penny impoſed, which affects the price of exportable goods, muſt be refunded out of the net produce of them, and all the expenſe of collecting that part is entirely loſt to the public; the remainder, therefore, will be greater or leſs, according as foreign trade is great or ſmall.

In proportion, therefore, as domeſtic circulation

gains ground upon the foreign, taxes become neceſſary; in order, with the amount of them, to correct the bad effects of luxury, in raiſing prices, by giving larger premiums to ſupport exportation. And in proportion as a ſtateſman's endeavours to ſupport the trade of his country becomes ineffectual, from the growing taſte of diſſipation in his ſubjects, the utility of an opulent exchequer will be more and more diſcovered; as he will be thereby enabled to ſupport his authority againſt the influence of the great load of riches thrown into domeſtic circulation, and to defend his luxurious and wealthy ſubjects from the effects of the jealouſy of thoſe nations which enriched them.

To conclude, the exportation of work, and the ſupporting a ſuperiority in the competition of foreign markets (as has been ſaid, and as ſhall be farther explained) ſeem to be the moſt rational inducements to engage a ſtateſman to begin a ſcheme of impoſing conſiderable taxes upon his people, while they enjoy any ſhare of foreign commerce. If ſuch taxes continue to ſubſiſt after the extinction of it, and are then found neceſſary; this neceſſity is itſelf a conſequence of the change made on the ſpirit and manners of a people become rich and luxurious.

The charge of government, under ſuch circumſtances, muſt greatly increaſe, as well as the price of every thing. Is it not very natural, that he who is employed by the ſtate ſhould receive an equivalent proportioned to the value of his ſervices? Is it to be ſuppoſed, that a perſon born in a high rank, who, from this circumſtance alone, acquires

an advantage, in moſt nations, hardly to be made up by any acquired abilities, will dedicate his time and his attendance for the remuneration which might ſatisfy his inferiors? The talents of great men deſerve reward as much as thoſe of the loweſt among the induſtrious; and the ſtate is with reaſon made to pay for every ſervice ſhe receives. This circulation of an adequate equivalent, we have ſaid to be the palladium of liberty, the band of gentle dependence among freemen; and the ſame ſpirit ought to animate every part of the political body. That *nothing is to be done for nothing*, is a fundamental political maxim in every free government, and obligations, not liquidated by a juſt equivalent, form pretenſions beyond their worth; and are conſtantly accompanied with diſcontent at one time or other.

Another uſe of taxes, after the extinction of foreign trade, is to aſſiſt circulation, by performing, as it were, the function of the heart of a child, when at its birth that of the mother can be of no farther uſe to it. The public treaſure, by receiving from the amount of taxes, a continual flux of money, may throw it out into the moſt proper channels, and thereby keep that induſtry alive, which formerly flouriſhed, and alone depended upon the proſperity of foreign commerce.

In proportion, therefore, as a ſtateſman perceives the rivers of wealth, (as we have called them above) which were in briſk circulation with all the world, begin to flow abroad more ſlowly, and to form ſtagnations, which break out into domeſtic circu-

lation, he ought to ſet a plan of taxation on foot, as a fund for premiums to indemnify exportation for the loſs it muſt ſuſtain from the riſe of prices, occaſioned by luxury; and alſo for ſecuring the ſtate itſelf, againſt the influence of domeſtic riches, as well as for recompenſing thoſe who are employed in its ſervice.

This ſyſtem ought to be carried on and extended, in proportion to the decay of foreign trade; and when this comes in a manner to ceaſe, then the increaſe of taxes, and the judicious application of them, going hand in hand, the ſtate itſelf will ſupport circulation, by receiving with one hand, and giving out with the other; until by a prudent management under the care and direction of an able ſtateſman, through time and perſeverance, every internal vice be corrected, and foreign commerce be made to flouriſh once more, from the principles we have been laying down, and from what may be farther ſaid to illuſtrate them in the ſubſequent books of this inquiry.

While induſtry is kept alive there is ſtill ground for hope. Manners change, and the ſame luxury which extinguiſhed foreign trade, by calling home the wealth employed in that ſpecies of circulation, may afterwards, by keeping induſtry alive at home, and by throwing a ſufficient power of wealth into the hands of a good ſtateſman, render the recovery of that trade no difficult project, to one who has an inſtrument in his poſſeſſion, ſo irreſiſtible in removing every obſtacle in the way of his undertaking.

This repreſents a new circulation; to wit, that

of the ſpirit and manners of a people, who, under the government of able ſtateſmen, may proſper in every ſituation; and ſince, from the nature of man, no proſperity can be permanent, the next beſt thing to be done, is, to yield to the force which cannot be reſiſted; and, by addreſs and management, reconduct a people to the height of their former proſperity, after having made them travel (as I may ſay) with as little inconvenience as poſſible, through all the ſtages of decline.

CHAP. XXVIII.

Circulation conſidered with regard to the riſe and fall of the Price of Subſiſtence and Manufactures.

THE intention of this chapter it to apply the principles we have been in ſearch of, to the ſolution of ſome queſtions, which have been treated by thoſe great maſters of political reaſoning, Meſſrs. de Monteſquieu and Hume. The ideas they have broached are ſo pretty, and the theory they have laid down for determining the riſe and fall of prices ſo ſimple, and ſo extenſive, that it is no wonder to ſee it adopted by almoſt every one who has writ after them.

I have not forgot how much I was pleaſed when firſt I peruſed theſe authors, from the eaſy diſtribution which a general theory enabled me to make of certain claſſes of my ideas then lying without order, in that great repoſitory of human crudities, the memory; which frequently retains more materials, than people, commonly, have either time, or perhaps capacity rightly to digeſt.

I am very far from pretending to any ſuperiority of underſtanding over thoſe gentlemen whoſe opinions I intend to review: accident alone has led me to a more minute examination of the particular circumſtances, upon which they have founded their general combinations; and in conſequence of my inquiries, I think I have diſcovered, that in this, as in every other part of the ſcience of political economy, there is hardly ſuch a thing as a general rule to be laid down.

There is no real or adequate proportion between the value of money and of goods; and yet in every country we find one eſtabliſhed. How is this to be accounted for?

We have, in the fourth chapter of this book, already inquired into the principles which point out the influence of trade upon the variation of the price of goods; but the queſtion now comes to be, how to fix and determine the fundamental price, which is the object of variation. It has been ſaid, that the price of a manufacture is to be known by the expenſe of living of the workman, the ſum it coſts him to bring his work to perfection, and his reaſonable profit. We are now to examine what it is, which in all countries muſt determine the ſtandard prices of theſe articles of the firſt neceſſity; ſince the value of them does neceſſarily influence that of all others.

The beſt way to come at truth, in all queſtions of this nature, is, to ſimplify them as much as poſſible, that they may be firſt clearly underſtood.

Whenever a queſtion ariſes about price, an alie-

nation is neceſſarily implied; and when we ſuppoſe a common ſtandard in the price of any thing, we muſt ſuppoſe the alienation of it to be frequent and familiar. Now I muſt here obſerve, that in countries where ſimplicity reigns (which are thoſe where the deciſion of this queſtion ought regularly to be ſought for, ſince it is there only where a complication of circumſtances do not concur to raiſe the prices of ſubſiſtence) it is hardly poſſible to determine any ſtandard for the price of articles of the firſt neceſſity.

Let us examine the ſtate of thoſe hunting Indians who live by their bow, and of other nations where the inhabitants exerciſe, I may ſay univerſally, that ſpecies of agriculture which I have called a direct method of ſubſiſtence, and we ſhall find, that the articles of food and neceſſaries are hardly found in commerce: no perſon purchaſes them; becauſe the principal occupation of every body is to procure them for himſelf. What anſwer would a Scotch highlander have given any one, fifty years ago, who would have aſked him, for how much he ſold a quart of his milk, a dozen of his eggs, or a load of his turf? In many provinces, unacquainted with trade and induſtry, there are many things which bear no determined price; becauſe they are ſeldom or never ſold.

Sale alone can determine prices, and frequent ſale can only fix a ſtandard. Now the frequent ſale of articles of the firſt neceſſity marks a diſtribution of inhabitants into *laborers*, and what we have called *free hands*. The firſt are thoſe who produce the neceſſaries of life; the laſt are thoſe who muſt buy

them: and as the fund with which they purchaſe is produced from their induſtry, it follows, that without induſtry there can be no ſale of articles of ſubſiſtence, conſequently, no ſtandard price determined.

Another conſequence of this reaſoning, is, that the ſale of ſubſiſtence implies a ſuperfluity of it in the hands of the ſeller, and a proper equivalent for it in the hands of the buyer; and when the equivalent is not money, it alſo implies a ſuperfluity of the produce of ſome ſort of induſtry; conſequently, by the exchange of ſuperfluities upon certain articles, a man procures to himſelf a ſufficiency upon every one. This repreſents that gentle dependence which unites the members of a free ſociety.

Does it not follow from this analyſis of the queſtion, that the prices of articles of the firſt neceſſity, depend rather upon the occupation and diſtribution of the claſſes of inhabitants, than either upon the abundance of thoſe neceſſaries, or of the money to purchaſe them; ſince many examples may be found, where theſe articles have borne little or no price, even in countries where money was not wanting. The reaſon therefore of low prices, is not the vaſt abundance of the things to be ſold, but the little occaſion any body has to buy them; every one being provided for them in one way or other, without being obliged to go to market.

How many familiar examples occur every where of this economy! do we not find in every country, even when the numbers of the induſtrious free are multiplied exceedingly, more than one half of the inhabitants fed directly from the earth? The whole

claſs of farmers does not go to market for ſubſiſtence. Aſk a country gentleman the expenſe of his living, he will tell you the ſum of money he yearly ſpends, perhaps the quantity of his rents in kind, which he conſumes in his houſe, and the rent of the lands he holds himſelf in farm; but it will never come into his head to reckon the value of every chicken, ſheep, or bullock, with which his farm provides him, which he conſumes without eſtimation, and which in many countries he could not diſpoſe of for any determined value.

From this I ſtill conclude, that it is only in countries of induſtry where the ſtandard prices of articles of the firſt neceſſity can be determined; and ſince in theſe, many circumſtances concur to render them either higher or lower than in other countries, it follows, that in themſelves they bear no determined proportion whatſoever, to the quantity of gold and ſilver in the country, as I hope preſently to make ſtill more evident.

What is it then which determines the ſtandard value of theſe articles, in countries of induſtry? Here follows, in my humble opinion, the beſt anſwer to this queſtion.

The ſtandard price of ſubſiſtence is determined from two conſiderations. The firſt from the number of thoſe who are obliged to buy, that is to ſay, of thoſe who have them not of their own, and who are not provided with them, in lieu of ſervice, by thoſe who have. The ſecond is, from the degree of employment found for thoſe who are obliged to purchaſe them.

The

The *number* of the buyers of ſubſiſtence, nearly determines the *quantity* ſold; becauſe it is a neceſſary article, and muſt be provided in a determined proportion for every one: and the more the ſale is frequent, the more the price is determined. Next as to the ſtandard: this, I apprehend, muſt depend upon the faculties of the buyers; and theſe again muſt be determined by the extent of thoſe of the greateſt numbers of them; that is to ſay, by the extent of the faculties of the lower claſſes of the people. This is the reaſon why bread, in the greateſt famine, never can riſe above a certain price; for did it exceed the faculties of the great claſſes of a people, their demand muſt be withdrawn, which would leave the market overſtocked for the conſumption of the rich; conſequently, ſuch perſons, who in times of ſcarcity are forced to ſtarve, can only be ſuch whoſe faculties fall, unfortunately, below the ſtandard of thoſe of the great claſs: conſequently, in countries of induſtry, the price of ſubſiſtence never can riſe beyond the powers to purchaſe of that numerous claſs who enjoy phyſical-neceſſaries; conſequently, never to ſuch an immoderate height as to ſtarve conſiderable numbers of the people; a thing which very commonly happens in countries where induſtry is little known, where multitudes depend merely upon the charity of others, and who have no reſource left, ſo ſoon as this comes to fail them.

The faculties, therefore, of thoſe who labor for a phyſical-neceſſary, muſt, in induſtrious nations, determine the ſtandard value of ſubſiſtence, and the value in money which they receive for

their work, will determine the ſtandard of their faculties which muſt riſe or fall according to the proportion of the demand for their labor.

By this expoſition of the matter, I do not pretend to have diſſipated every obſcurity. The queſtion ſtill remains complex, as the nature of it requires it ſhould do; and the ſolution of it depends upon farther conſiderations, which now lead me to the examination of the doctrine of Meſſrs. de Monteſquieu and Hume, concerning the influence of riches upon the increaſe of prices. I ſhall begin by ſhortly laying this doctrine before my readers, in three propoſitions.

1*mo.* The prices (ſay they) of commodities, are always proportioned to the plenty of money in the country. So that the augmentation of wealth, even fictitious, ſuch as paper, affects the ſtate of prices, *in proportion* to its quantity.

2*do.* The coin and current money in a country, is the repreſentation of all the labor and commodities of it. So that *in proportion* as there is more or leſs of this repreſentation, (money) there goes a greater or leſs quantity of the thing repreſented (commodities, &c.) to the ſame quantity of it. From this it follows, that

3*tio.* Increaſe commodities, they become cheaper; increaſe money, they riſe in their value.

Nothing can be more beautiful than theſe ideas. They appear at firſt ſight, ſufficiently extenſive to comprehend every variation of circumſtances which can happen. Who was the firſt author of

this doctrine, I cannot ſay. I find it in Mr. Locke, and in the Spectator for the 19th of October, 1711; but they have been beautifully illuſtrated by Monſr. de Monteſquieu; and Mr. Hume has extended the theory, and diverſified it prettily in his political diſcourſes; which have done much honor to that gentleman, and drawn the approbation of the learned world ſo much, that there is hardly a nation in Europe which has not the pleaſure of reading them in their own language.

Upon examining this theory, when I came to treat of the matters it is calculated to influence, I found I could not make it anſwer to the principles I had purſued, in the moſt natural order in which I had been able to deduce them: and this conſideration obliged me, with regret, to lay it aſide, and to follow another, much more complex. I have already expreſſed the mortification I have always had upon finding myſelf forced to ſtrike out a general rule, and this, of all others, had at firſt hit my fancy the moſt; but I am obliged to confeſs, that upon a cloſe examination of the three propoſitions, I am obliged to range this ingenious expoſition of a moſt intereſting ſubject, among thoſe general and ſuperficial maxims which never fail to lead to error.

In order to ſet the matter in as clear a light as poſſible, I ſhall make a ſhort application of my own principles, relating to the deciſion of the main queſtion, the cauſes of the riſe and fall of prices, and conclude my chapter with ſome remarks upon the three propoſitions above laid down, ſubmitting the whole to the better judgment of my reader.

I have laid it down as a principle, that it is the complicated operations of demand and competition, which determines the ſtandard price of every thing. If there be many laborers, and little demand, work will be cheap. If the increaſe of riches, therefore, have the effect of *raiſing* demand, work will increaſe in its value, becauſe *there* competition is implied; but if it has only the effect of *augmenting* demand, prices will ſtand as formerly. What then will become of the additional quantity of coin, or paper money? I anſwer, that in both caſes it will enter into circulation, in proportion to the *riſe* or *augmentation* of demand; with this difference, that in the firſt caſe, it will have the effect of raiſing prices; becauſe the ſupply is not ſuppoſed to augment in proportion: in the ſecond, prices will ſtand as they were; becauſe the ſupply is ſuppoſed to augment in proportion. Theſe are the conſequences of the augmentation of wealth, when it has the effect of either *raiſing* or *augmenting* demand. But if upon this revolution it be found that the ſtate of demand remains without any variation, then *the additional coin* will probably be locked up, or converted into plate; becauſe they who have it, not being inſpired with a deſire of increaſing their conſumption, and far leſs with the generous ſentiment of giving their money away, their riches will remain without producing more effect than if they had remained in the mine. As for the paper money, ſo ſoon as it has ſerved the firſt purpoſe of ſupplying the demand of him who borrowed it, (becauſe he had at that time no coin) it will return upon the debtor in it, and be-

come realized; becauſe of the little uſe found for it in carrying on circulation.

Let the ſpecie of a country, therefore, be augmented or diminiſhed, in ever ſo great a proportion, commodities will ſtill riſe and fall according to the principles of demand and competition, and theſe will conſtantly depend upon the inclinations of thoſe who have *property* or any kind of *equivalent* whatſoever to give; but never upon the quantity of *coin* they are poſſeſſed of.

Let the quantity of the coin be ever ſo much increaſed, it is the deſire of ſpending it alone, which will raiſe prices. Let it be diminiſhed ever ſo low, while there is real property of any denomination in the country, and a competition to conſume in thoſe who poſſeſs it, prices will be high, by the means of barter, ſymbolical money, mutual preſtations, and a thouſand other inventions. Let me give an example.

Suppoſe a country where prices are determined, and where the ſpecie is ſufficient for the circulation: is it non plain, that if this country has a communication with other nations, there muſt be a proportion between the prices of many kinds of merchandize, there and elſewhere, and that the ſudden augmentation or diminution of the ſpecie, ſuppoſing it could *of itſelf* operate the effects of raiſing or ſinking prices, would be reſtrained in its operation by foreign competition? But let us ſuppoſe it cut off from every communication whatſoever, which ſeems the only caſe, where this theory can operate with any appearance of juſtneſs, will any body

pretend, that the frugal or extravagant turn of the inhabitants, will have no influence upon prices, and will it be aſſerted, that no variation in the ſpirit of a people, as to frugality and diſſipation, can take place, except upon a variation in the quantity of their gold and ſilver?

It may be anſwered, that as to articles of ſuperfluity, no doubt the genius of a people may influence prices, in combination with the quantity of the ſpecie; but that in articles of indiſpenſible neceſſity, they muſt conſtantly remain in proportion to the maſs of riches. This I cannot by any means admit to be juſt. Let me take the example of grain, which is the moſt familiar. Is it not plain, from what we have ſaid above, that the proportion of wealth, found in the hands of the loweſt claſs of the people, conſtantly regulates the price of it; conſequently, let the rich be ever ſo wealthy, the price of ſubſiſtence can never riſe above the faculties of the poor. And is it not alſo plain, that thoſe of the loweſt claſs of the people, *who purchaſe ſubſiſtence*; muſt buy it with the returns they receive from the rich for their induſtry? Now if the quantity of the wealth of the latter, does not regulate their demand for the ſervice of the former, muſt it not follow, that the price of grain, as well as of every other thing offered to ſale, muſt depend upon the degree of competition among the rich for the labor of the poor, that is, upon the demad for indaſtry, and not on the quantity of wealth in the country?

No body ever denied, that the extraordinary demand for a commodity had the effect of raiſing the price of it: and certainly no body will deny, that the demand for a particular commodity may be greater at one time than at another, though the ſame quantity of that commodity be found at both times in the country; and the ſame quantity of ſpecie likewiſe not only in the country, but alſo in circulation.

I acknowledge that in a country where there is much coin, and where credit is little known, a high and extraordinary demand for an article of ſuperfluity, may raiſe the price more than in another where the coin is more ſcarce; becauſe on certain occaſions, the price of a thing has no other bounds than the extent of the faculties of the buyer. In like manner, in other countries where there is almoſt no coin, nor credit, it may be impoſſible for the higheſt demand to raiſe the price of ſuch things even to the common ſtandard eſtabliſhed in thoſe where there is great wealth. But theſe inſtances appear to be too particular to ſerve for the foundation of a general rule, with reſpect to the ſtate of prices in the preſent ſituation of the nations of Europe, which, leſs or more, are all in communication with one another.

I cannot here omit taking notice of two very remarkable circumſtances which we learn from undoubted hiſtorical authority, which ſeem to contradict one another, and to throw a great obſcurity upon the principles I have been endeavouring to explain. I ſhall therefore introduce them by way of illuſtration, and when they are examined, I hope they will confirm my doctrine.

The firſt is, that in Scotland, formerly, when coin and credit were certainly very rare, the price of eight pounds weight of oat-meal, which is now commonly ſold at eight pence ſterling, was then valued at no more than two thirds of one penny: and that a laboring man uſed to receive one penny and one third of a penny ſterling for his week's ſubſiſtence; that is to ſay, the value of ſixteen pounds of oat-meal, which to this day is the regulated quantity given for that purpoſe.

There is a very curious confirmation of the authenticity of this computation, in an hoſpital at old Aberdeen; where in former times, ſome proprietors of lands had ſettled a certain quantity of oat-meal in favor of the poor of the hoſpital, with a liberty to the hoſpital to accept the meal in kind, or the converſion at two thirds of a penny for every eight pounds weight. They imprudently choſe the laſt, and to this very day they are paid according to this ſtandard. Now it is certainly impoſſible that any degree of plenty whatſoever, or any failing of demand, could at preſent reduce the price of that commodity ſo very low; conſequently, it may be ſaid that it is the augmentation of wealth, not that of demand which raiſes prices.

The ſecond fact we learn from antiquity, that at the time when Greece and Rome abounded in wealth, when every rarity, and the work of the choiceſt artiſts was carried to an exceſſive price, an ox was bought for a mere trifle, and grain was cheaper perhaps than ever it was in Scotland.

If the application of our principles to the circum-

ſtances of thoſe times, produce a ſolution of theſe apparent inconſiſtencies; and if we thereby can diſcover that the low prices of grain, both in Scotland, where there was little money, and at Rome where there was a great deal, was entirely owing to the little demand for articles of ſubſiſtence; will it not follow, that our principle is juſt, and that the other, notwithſtanding of the ingenuity of the thought, muſt fail in exactneſs; ſince it will appear, that low prices may be equally compatible with wealth, and with poverty.

Now as to Scotland in former times, as in all countries where there is little induſtry; where the inhabitants are moſtly fed directly from the earth, without any alienation of her fruits taking place; where agriculture is exerciſed purely as a method of ſubſiſting; where rents are low, and where, conſequently, the free hands, who live upon them for the price of their induſtry, muſt be few; the demand for grain in the public markets muſt be very ſmall; conſequently, prices will be very low, whether there be little, or whether there be much money in the country. The reaſon is plain. The demand is proportioned here, not to the number of thoſe who conſume, but of thoſe who buy: now thoſe who conſume, are all the inhabitants, but thoſe who buy, are only the few induſtrious who are free, and who gain an independent livelihood by their own labor and ingenuity: now the price of their week's ſubſiſtence was one penny one third, conſequently the ſubſiſtence they bought could not riſe above this ſtandard.

Next as to the ſtate of Greece and Rome, where

ſlavery was eſtabliſhed. Thoſe who were fed by the labor of their own ſlaves, by thoſe of the ſtate, or by the grain gratuitouſly diſtributed to the people, had no occaſion to go to market; conſequently, they did not enter into competition with the buyers. Farther, the ſimplicity of manners, and the few manufactures then known, made wants in general leſs extenſive; conſequently, the number of the induſtrious free was ſmall, and *they* were the only perſons who *could* have occaſion to purchaſe food and neceſſaries; conſequently, the competition of the buyers muſt have been ſmall in proportion, and prices low.

Add to this, the reflections which naturally preſent themſelves upon examining the nature of providing the markets. Theſe were ſupplied partly from the ſurplus produced upon the lands of the great men, labored by ſlaves; who being fed from the lands, the ſurplus coſt in a manner nothing to the proprietors; and as the number of thoſe who had occaſion to buy, were very few, this ſurplus was ſold cheap. Beſides, the grain diſtributed to the people gratis, muſt neceſſarily have kept down the market, as a part of it would naturally, ſometimes, be found ſuperfluous to thoſe who received it; and conſequently, come to be ſold in competition with that raiſed at private expenſe.

But when a fine mullet was brought to market, or when an artiſt appeared with a curious piece of work, the caſe was very different. There was plenty of money in the country, in the hands of the rich, who all appeared in competition for the preference; conſequently, prices roſe to an extravagant height,

The luxury of thoſe times, though exceſſive, was confined to a few, and as money, in general, circulated but ſlowly through the hands of the multitude, it was conſtantly ſtagnating in thoſe of the rich, who found no meaſure, but their own caprice, in regulating the prices of what they wiſhed to poſſeſs, and had money to purchaſe.

From what has been ſaid, it appears, that the riches of a country have no determined influence upon prices; although, I allow, they may accidentally affect them: and if we depart from the principles above laid down, to wit, that prices are regulated by the complicated operation of demand and competition, in order to follow the other, we muſt add a reſtriction (which I obſerve Mr. Hume has attended to on one occaſion, although he has loſt ſight of it on ſeveral others) to wit, *that the price of every commodity is in proportion to the ſum of money circulating in the market for that commodity;* which is *almoſt* my propoſition in other words: for the money to be employed in the purchaſe of any commodity, is juſt the meaſure of the demand. But even here, the money in the market *deſtined* only for the purchaſe of a particular commodity, does not regulate the price of it. Nothing but the finiſhing of the tranſaction, that is, the convention between the buyer and ſeller, can determine the price, and this muſt depend upon inclination, not weight of money, as an example will make plain.

I ſhall ſuppoſe grain to have been at forty ſhillings *per* quarter, in a country market, for ſeveral months together, where the ordinary demand for

the current conſumption is twenty quarters every market day. If at any time an extraordinary demand ſhould happen, which may exceed all that is to be found in the market, there will be a competition among the buyers, which will have the effect of raiſing the market. Now, according to the doctrine of our learned authors, it may be ſaid, that the corn riſes in proportion to the quantity of the ſpecie which is in the market, and that it is becauſe of this increaſe of ſpecie, that the grain riſes in its price. I anſwer, firſt, allowing this to be true, can it be ſaid, that a particular temporary, or perhaps accidental demand for a few quarters of corn, more than uſual, implies any augmentation of the quantity of money in the country, or indeed the ſmalleſt variation either upon the total conſumption, or quantity of grain contained in it? For if the demand has riſen in one market, it muſt probably have diminiſhed in another, as the ſame inhabitants cannot conſume in two places. This I think every perſon muſt be convinced of, without farther illuſtration. But I ſay farther, that prices will not riſe in proportion to the money in the market; but in proportion to the deſire of acquiring grain in thoſe who have that money.

Suppoſe the whole quantity of grain in the market to be thirty quarters; if there be no demand for more, theſe will be ſold at forty ſhillings, as the twenty quarters would have been. But ſuppoſe the demand to be for ſixty quarters, and that there is a hundred and twenty pounds ſterling ready to be employed for corn, does it follow, that grain

will riſe to four pounds a quarter, becauſe the money in the market bears this proportion to the quantity of grain? Certainly not.

We muſt therefore, I think, adopt the other principle, and follow the proportions of demand and competition; and then we ſhall find, that if the ſellers want to raiſe their price up to the proportion of the ſpecie, all demand will ceaſe, as effectually as if it had never been made; and the ſellers will afterwards be obliged to accept of ſuch a moderate augmentation as ſhall be in proportion *to the urgency of the demand*, but never in proportion *to the money* ready to be employed.

The circulation of every country, as we have ſhown above, muſt ever be *in proportion to the induſtry of the inhabitants, producing the commodities which come to market:* whatever part of theſe commodities is conſumed by the very people who produce them, enters not into circulation, nor does it in anywiſe affect prices. If the coin of a country, therefore, falls below the *proportion* *) of the produce of induſtry *offered to ſale*, induſtry itſelf will come to a ſtop; or inventions, ſuch as ſymbolical money, will be fallen upon to provide an equivalent for it. But if the ſpecie be found above the proportion of the induſtry, it will have no effect in raiſing prices, nor will it enter into circulation: it will be hoarded up in treaſures, where it muſt wait not only the call of a deſire in the proprietors to conſume, but of the induſtrious to ſatisfy this call.

*) Let it be obſerved, that *proportion*, here, does not mean *value*.

We may therefore conclude, in conſequence of the principles we have laid down, that whatever be the quantity of money in any nation, in correſpondence with the reſt of the world, there never can remain, *in circulation*, but a quantity nearly proportional to the conſumption of the rich, and to the labor and induſtry of the poor inhabitants. The value of each particular ſpecies of which conſumption is determined by a complication of circumſtances at home and abroad; conſequently, the proportion is not determined by the *quantity* of money actually in the country.

If the contrary is maintained, and if it be affirmed that the proportion between ſpecie and manufactures is reciprocal and determined, then I am authorized to draw this concluſion, to wit: That if the *greateſt* produce of induſtry *muſt* be ſold for *what ſpecie* is found in the country, *let the ſum be ever ſo ſmall*, ſo in like manner, the *ſmalleſt* produce of induſtry *muſt* be ſold for *all the ſpecie* found in the country, *let the ſum be ever ſo great.* Conſequently, in the firſt caſe, we muſt ſuppoſe, that the induſtrious will never ſeek for a better price from abroad; and in the ſecond, that the monied people *muſt* ſpend all they have in ſupplying their moſt moderate wants, and never ſeek for cheaper merchandize than what they can find at home. Conſequently, there can be no foreign trade, nor can there ever be any hoarding.

I ſhall now conclude my chapter, with a few obſervations upon the three propoſitions as they ſtand in their order.

Prop. 1. Prices are in proportion to the plenty

of money. And thus the augmenting even of fictitious wealth, ſuch as paper, affects the ſtate of prices, according to its quantity.

From this Mr. Hume diſapproves of the introduction of paper money, when ſpecie is wanting, and ſays, that if nothing were allowed to circulate but gold and ſilver, the quantity being leſs, prices would be lower.

This is neither more or leſs, in my humble opinion, than a project to deſtroy credit, with a view to ſupport trade and induſtry. Becauſe it would effectually prevent any perſon from making a conſumption, except at the time he happened to be provided with ready money. Does the paper money in England, keep up the prices of grain at preſent, January 1759? And will not every article of neceſſaries fall, in a ſhort time, as low in that country as in any other in Europe, if the ſame meaſures continue to be followed?

Were all paper money in that kingdom proſcribed at once, no doubt the prices of many things would fall very conſiderably, but ſuch a fall would neither be univerſal or equable. The reaſon of this fall would not be, becauſe the ſpecie would become proportionally divided among all the inhabitants, according to the value of their property; nor becauſe of the ſmall quantity of it, ſince prices abroad would ſtill regulate many at home: but becauſe of the ſudden revolution, and the violent overturn thereby produced on the balance of work and demand. The ſcale of the firſt would preponderate to ſuch a degree, that thoſe claſſes of the induſtrious who work for daily ſubſiſtence in furniſhing ſuperfluities,

would enter into ſo ſtrong a competition with one another, that their work would fall to nothing, while ſubſiſtence would remain at the price of exportation. If it be aſked what could occaſion this difference. I anſwer, becauſe the workmen who ſupply ſuperfluities, adapted to the taſte of their nation, would find no more demand for them, from the want of credit, or of a circulating fund to buy with, and ſtrangers would not profit of the fall in the price of a ſuperfluity not adapted to their own taſte; but they would very willingly become purchaſers of every buſhel of grain become ſuperfluous, by ſtarving ſo many of the inhabitants; and this would keep the price of ſubſiſtence upon a pretty even level with that of other countries.

But if we ſuppoſe all communication cut off with ſtrangers, would this proportion between money and prices then hold true? By no means. Here is the reaſon: there are many ways of alienating goods or natural produce, without the aſſiſtance of ſpecie. Immenſe quantities of both may be conſumed by barter, or in lieu of ſervice, where money is never heard of: now all this portion alienated, enters into the maſs of what is called produce and manufactures which come to market; but can have no influence upon the ſpecie, nor can ſpecie have any upon it, ſince the money remains inactive during thoſe operations.

Another reaſon is, that there is no ſuch thing as preſerving ſpecie in an equal repartition, ſo as to ſerve the occaſions of every body in proportion to their worth. The reaſon is manifeſt: money,

like

like every other thing, will come into the hands of thoſe who give the greateſt value for it, and when the quantity of it is ſmall in any country, where nothing can be procured without it, ſuch proprietors of lands as have the greateſt deſire to conſume, will purchaſe the ſpecie at a higher intereſt, or with more of their lands than others.

This alone is ſufficient to prove that the reparti-tion of ſpecie can never be in proportion to property; and this alſo deſtroys the ſuppoſition of prices riſing and falling, according to the proportion of it, even in a country cut off from every foreign communication. Here is the proof: any individual who has, by mortgaging his lands, got together a large proportion of the ſpecie of his country, will raiſe prices in his neighbourhood, by making an extraordinary demand for work; and the reſt of the ſame country, drained of their circulating value, muſt diminiſh their demand; conſequently, prices will fall elſewhere. I now come to the ſecond propoſition.

The coin and current money of a country, is the *repreſentation* of all its labor and commodities; ſo that in proportion as there is more or leſs of this *repreſentation*, a greater or leſs quantity of it will go for the ſame quantity of the thing repreſented.

To this *repreſentation* I cannot agree, and I apprehend it to be the ſource of error. A proper equivalent for labor and manufactures, may, in one ſenſe, be called a *repreſentation*; but there is no neceſſity for this equivalent to conſiſt in coin. Are not meat and clothes an equivalent for perſonal ſervice? Is not a free houſe and a bit of land, a very good equi-

valent for all the manufactures a country weaver can work up for me who am his landlord? If there were not one penny of coin in a country, would it follow, that there could be no alienation, or that every thing might there be got for nothing?

Coin has an intrinſic value; and when it comes into a country, it adds to the value of the country, as if a portion of territory were added to it: but it has no title to repreſent any thing vendible, by preference, or to be conſidered as the only equivalent for all things alienable. It is made a common price, on no other account than becauſe of its rarity, its ſolidity, its being of a nature to circulate, and to ſuffer a correct diviſion without end, and to carry its value along with it, which is a proper equivalent for every thing; and at the ſame time it is by its nature little liable to vary.

Were, indeed, a ſtateſman to perform the operation of circulation and commerce, by calling in from time to time, all the proprietors of ſpecie in one body, and all thoſe of alienable commodities, workmen, &c. in another; and were he, after in forming himſelf of the reſpective quantities of each, to eſtabliſh a general tariff of prices, according to our author's rule; this idea of *repreſentation* might eaſily be admitted: becauſe the parcels of manufactures would then ſeem to be adapted to the pieces of the ſpecie, as the rations of forage for the horſes of an army are made larger or ſmaller, according as the magazines are well or ill provided at the time: but has this any reſemblance to the operations of commerce?

The idea of coin being the *repreſentation* of all the

induſtry and manufactures of a country, is pretty: and has been invented for the ſake of making a general rule for operating an eaſy diſtribution of things extremely complex in their nature. From this comes error. We ſubſtitute a complex term, ſometimes in one ſenſe, and ſometimes in another, and we draw concluſions as if it expreſſed a fixed and determined idea.

If in algebra, x, y, z, &c ever ſtood for more than a ſingle idea, the ſcience would become uſeleſs; but as they never repreſent but the very ſame notion, they never change their nature through all manner of tranſpoſitions.

It is not the ſame of terms in any other ſcience, as abundantly appears from the queſtion now before us: coin is called a *repreſentation*, becauſe it is an equivalent; and becauſe it is a *repreſentation*, it muſt bear an exact proportion to the thing repreſented. And ſince in ſome particular examples, this repreſentation *appears* to hold; therefore the rule is made general, although circumſtances may be different If, for example, a merchant, or a private perſon, has upon hand a thouſand pounds worth of grain, no doubt that the thouſandth part of the merchandize is worth the thouſandth part of the ſum; becauſe both are determined in their quantity and quality: but the parcels of this corn, though exactly proportioned to the price of the whole, do not draw their value from this proportion, but from the total value of the whole maſs; which is determined from the complicated operations of demand and competition, as has been ſaid, and not from the ſpecie of the country, which

can bear no proportion either to the quantity or quality of the grain.

There may be vaſt quantities of coin in a country of little induſtry; and, *vice verſa*, coin is conſtantly an *equivalent*, but never a *repreſentation*, more than any other equivalent which may be contrived. Were the doctrine of this ſecond propoſition true, every commodity in a country ſhould be ſold like a parcel of the grain in the foregoing example, by the rule of three; as the property of all the labor and manufactures of the country is to the part I intend to alienate, ſo is all the gold and ſilver in the country to the part I am entitled to receive. This way of regulating prices may be very ingenious, but it is not very common. I now proceed to the third and laſt propoſition.

Increaſe the commodities, they become cheaper: increaſe the money, they riſe in their value.

This propoſition is much too general: the firſt part of it is commonly true, the laſt part is more commonly falſe.

What can increaſe commodities, but a demand for them? If the demand be equal to the augmentation, there will be no alteration in the price.

Let extraordinary plenty increaſe ſubſiſtence, it will naturally fall in the price; but it may be hoarded up, and made to riſe in ſpite of the plenty; it may be demanded from abroad; this alſo will make it riſe.

Let the production of ſuperfluities, not exportable, be produced by workmen whoſe branch is overſtocked, prices will undoubtedly fall.

The ſame obſervations are true of a diminution in the quantity of commodities. If this diminiſhes by degrees, from a diminution of demand, the price of them will not riſe.

If the quantity of ſubſiſtence falls below the neceſſary conſumption of the inhabitants, prices will undoubtedly riſe.

If the articles of ſuperfluity are diminiſhed, prices will only riſe in proportion to the eagerneſs to buy, that is, to the competition, not to the deficiency. On the other hand, as to coin or money.

Increaſe the money, nothing can be concluded as to prices, becauſe it is not certain, that people will increaſe their expenſes in proportion to their wealth; and although they ſhould, the moment their additional demand has the effect of producing a ſufficient ſupply, prices will return to the old ſtandard.

But diminiſh the quantity of ſpecie *employed in circulation*, you both retard this, and hurt the induſtrious; becauſe we ſuppoſe the former quantity exactly ſufficient to preſerve both in the juſt proportion to the deſires and wants of the inhabitants.

Theſe are but a few of the numberleſs modifications neceſſary to be applied to this general rule; and I hope what I have ſaid, will juſtify the obſervation I have made on the whole doctrine; to wit, that it is much more ſpecious than ſolid, in every one of its three branches.

Let me juſt propoſe one queſtion more upon this ſubject, and then I ſhall conclude.

Suppoſe the ſpecie of Europe to continue increaſing in quantity every year, until it amounts

to ten times the preſent quantity, would prices riſe in proportion?

I anſwer, that ſuch an augmentation might happen, without the ſmalleſt alteration upon prices, or that it might occaſion a very great one, according to circumſtances. If induſtry increaſes to ten times what it is at preſent, that is to ſay, were the produce of it increaſed to ten times its preſent value, according to the actual ſtandard of prices, the value of every manufacture and produce might remain without alteration. This ſuppoſition is poſſible; becauſe no man can tell to what extent demand may carry induſtry. If, on the other hand, the ſcale of demand could be ſuppoſed to preponderate, ſo as to draw all the wealth into circulation, without having the effect of augmenting the ſupply (which I take to be impoſſible) then prices would riſe to ten times the preſent ſtandard, at leaſt in many articles.

This ſolution is entirely conſiſtent both with Mr. Hume's principle and mine; becauſe nothing is ſo eaſy in a hypotheſis, as to eſtabliſh proportions between things, which in themſelves are beyond all the powers of computation.

CHAP. XXIX.

Circulation with foreign Nations, the ſame thing as the Balance of Trade.

WE have endeavoured to ſhow in a former chapter, how the circulation of money, given in exchange for conſumable commodities, produces a vibration

in the balance of domeſtic wealth: we are now to apply the ſame principles to the circulation of foreign trade; in order to find out, if there can really be ſuch a thing as a balance upon it, which may enrich one country, and impoveriſh another.

It has been ſaid, that when money is given for a conſumable commodity, the perſon who gets it acquires a balance in his favor, ſo ſoon as he with whom he has exchanged, has begun to conſume.

That if two conſumable commodities are exchanged, the balance comes to a level, when both are conſumed. That it is only the wealth which is found in circulation, which can change its balance, and the remainder muſt be found locked up, made into plate, or employed in foreign trade. And it has been obſerved, that the quantity of money found in circulation, is ever in proportion to the ſale of the produce of induſtry and manufactures; and that when the quantity of metals is not ſufficient to carry on a circulation, proportioned to the demands of thoſe who have any real equivalent to give, that ſymbolical money may be made to fill up the void, when the intereſt of the ſtate comes to require it.

We have alſo laid it down as a kind of general rule, that while luxury only tends to keep up demand to the reaſonable proportion of power and inclination in the induſtrious part of a people to ſupply it, that then it is advantageous to a nation; and that ſo ſoon as it begins to make the ſcale of home-demand preponderate, by forming a competition among the natives, to conſume what

ſtrangers ſeek for, that then it is hurtful, and has an evident tendency to root out foreign trade. Theſe principles are all analogous to one another, and ſhould be retained while we examine the queſtion before us.

I muſt ſtill add, that the fluctuation of the balance of wealth is conſtantly inclining in favor of the induſtrious, and againſt the idle conſumer. This however admits of a reſtriction, viz. The induſtrious muſt be ſuppoſed to be frugal; and the idle, extravagant. For if the induſtrious man conſumes the produce of his induſtry, he will only have labored to increaſe his conſumption, not his wealth: and if the idle perſon, by his frugality, keeps within the bounds of his yearly income, he will thereby repair every diſadvantage incurred by his ſloth, the balance then will ſtand even between them; the induſtry in one ſcale, and the fund already provided in the other, will keep both parties on a level as before.

In order, therefore, to make the balance of domeſtic wealth turn in favor of a poor man, he muſt be both induſtrious and frugal.

Now let us apply theſe principles to a whole nation, conſidered as an individual in the great ſociety of mankind. A private perſon who conducts his affairs with prudence, muſt either be in a way of growing richer by his induſtry, or of ſpending his income with economy and diſcretion: ſo I muſt ſuppoſe a nation which is well governed, either to be growing rich by foreign trade, or at leaſt in a ſtate of not becoming poorer by it.

It is the duty of every ſtateſman to watch over the conduct of thoſe who hold the foreign correſpondence, as it is the duty of the maſter of a family to watch over thoſe he ſends to market.

I find it is the opinion of the learned Mr. Hume, that there is no ſuch thing as a balance of trade, that money over all the world is like a fluid, which muſt ever be upon a level, and that ſo ſoon as in any nation that level is deſtroyed by any accident, while the nation preſerves the number of its inhabitants, and its induſtry, the wealth muſt return to a level as before.

To prove this, he ſuppoſes four fifths of all the money in Great Britain annihilated in one night, the conſequence of which he imagines would be, that all labor and commodities would ſink in their price, and that foreign markets would be thereby entirely ſupplied by that induſtrious people, who would immediately begin to draw back ſuch a proportion of wealth, as would put them again upon a level with their neighbours.

This reaſoning is conſiſtent with the principles we have examined, and humbly rejected in the preceding chapter; both ſtand upon the ſame foundation, and lead to a chain of conſequences totally different from the whole plan of this inquiry.

My intention is not ſo much to refute the opinions of others, as briefly to paſs them in review. General propoſitions, ſuch as thoſe we have been treating of, are only true or falſe, according as they are underſtood to be accompanied with certain reſtrictions, applications, and limitations: I ſhall therefore ſay nothing as

to the propoſition itſelf, but only examine how far the example he has taken of the ſudden annihilation of a great proportion of a nation's wealth, can naturally be followed by the conſequences he ſuppoſes.

For this purpoſe, let me ſuggeſt another conſequence (different from that of the author, and flowing from the doctrine we have eſtabliſhed) which poſſibly might happen, upon the annihilation of four fifths of all the money in Great Britain. I ſhall take no notice of the effects which ſo ſudden a revolution might occaſion; theſe have not been attended to by the author, and therefore I ſhall conſider them as out of the queſtion. I ſuppoſe the event to have happened, prices to have been reduced, and every immediate inconvenience to have been prevented. My only inquiry ſhall be directed towards the unavoidable conſequences of ſuch a revolution, as to foreign trade, as to drawing back the money annihilated, and as to the preſerving the ſame number of inhabitants, and the ſame degree of induſtry as before. If I can ſhow, that the event alone of annihilating the ſpecie, and reducing prices in proportion, (which I ſhall allow to be the conſequence of it) will have the effect of annihilating both induſtry and the induſtrious, it cannot afterwards be inſiſted on, that the revolution can have the effect of drawing back a proportional part of the general wealth of Europe: becauſe the preſervation of the induſtrious is conſidered as the requiſite for this purpoſe.

Here then is the conſequence, which, in my humble opinion, would very probably happen upon ſo extraordinary an emergency; and I flat-

ter myſelf that my reader has already anticipated my deciſion.

The inhabitants of Great Britain, who, upon ſuch an occaſion, would be found in poſſeſſion of all the exportable neceſſaries of life, and of many other kinds of goods demanded in foreign markets, inſtead of ſelling them to their poor countrymen, for a price proportioned to our author's tariff, and to the diminution of the ſpecie, which he takes to be the repreſentation of them, would export them to France, to Holland, or to any other country where they could get the beſt price, and the inhabitants of Britain would ſtarve.

If it be replied, that the exportation would not be allowed. I anſwer, that ſuch a prohibition would be highly ſeaſonable, but quite contrary to the principle of laying trade open, and impoſſible to be effectual, as that author juſtly obſerves, when he ſays, "Can one imagine, that all commodities could "be ſold in France, for a tenth of the price they "would yield on the other ſide of the Pyrenees, "without finding their way thither, and drawing "from that immenſe treaſure?" Suppoſe this phraſe to run thus. Can any one imagine, that proviſions could be ſold in Britain, for a fourth part of the price they would yield on the other ſide of the water, without finding their way thither, and drawing from that immenſe treaſure? This is entirely conſiſtent with our principles, and ruins the whole of Mr. Hume's former ſuppoſition: becauſe the exportation of them would annihilate the inhabitants.

From this I conclude, that a nation, though in-

duſtrious and populous, may reduce itſelf to poverty in the midſt of wealthy neighbours, as a private perſon, though rich, may reduce himſelf to want, in the midſt of the amuſements and luxury of London or of Paris. And that both the one and the other, by following a different conduct, may amaſs great ſums of wealth, far above the proportion of it among their neighbours.

This is not a matter of long diſcuſſion. It is not by the importation of foreign commodities, and by the exportation of gold and ſilver, that a nation becomes poor; it is by conſuming thoſe commodities when imported. The moment the conſumption begins, the balance turns; conſequently, it is evidently againſt the principles which we now examine, either to ſell at home, or deſtroy confiſcated goods. The only way of repairing the damage done by ſuch frauds, is to export the merchandize, and by ſelling them cheap in other countries, to hurt the trade of the country which firſt had furniſhed them. From this alſo we may conclude, that thoſe nations which trade to India, by ſending out gold and ſilver, for a return in ſuperfluities of the moſt conſumable nature, the conſumption of which they prohibit at home, do not in effect ſpend their own ſpecie, but that of their neighbours who purchaſe the returns of it for their own conſumption. Conſequently, a nation may become immenſely rich by the conſtant exportation of her ſpecie, and importation of all ſorts of conſumable commodities. But ſhe would do well to beware of this trade, when her inhabitants have taken a luxurious turn, leſt ſhe

ſhould come to reſemble the drunkard who commenced wine merchant, in order to make excellent chear in wine with all his friends who came to ſee him; or the milliner, who took it into her head to wear the fine laces ſhe uſed to make up for her cuſtomers.

If a rich nation, where luxury is carried to the higheſt pitch, where a deſire of gain ſerves as a ſpur to induſtry, where all the poor are at work, in order to turn the balance of domeſtic wealth in their favor, if ſuch a nation, I ſay, is found to conſume not only the whole work of the inhabitants, but even that of other countries, it muſt have a balance of trade againſt it, equivalent to the foreign conſumption; and this muſt be paid for in ſpecie, or in annual intereſt, to the diminution of the former capital. Let this trade continue long, they will not only come at the end of their metals, but they may even ſucceed in exporting their lands. This laſt appears a paradox, and yet it is no uncommon thing. The Corſicans have exported, that is ſold, the beſt part of their iſland to Genoa; and now, after having ſpent the price in wearing damaſk and velvet, they want to bring it back, by confiſcating the property of the Genoeſe, who have both paid for the iſland, and drawn back the price of it by the balance of their trade againſt theſe iſlanders. It were to be wiſhed that Corſica alone afforded an example of this kind.

Is it not, therefore, the duty of a ſtateſman to prevent the conſumption of foreign produce? If tapeſtry or other elegant furniture, ſuch as is ſeen in

a certain great capital in Europe, were allowed to be imported into a neighbouring nation, who doubts but this article would carry money out of that nation?

It may be anſwered, that as much elegance of another kind may be ſent in return. True; and it would be very lucky if this could be the caſe; but then you muſt ſuppoſe an equality of elegance in both countries, and farther, you muſt ſuppoſe a reciprocal taſte for the reſpective ſpecies of elegance. Now the taſte of one country may, indeed, be common to both; but it may happen that the taſte of the one may not be that of the other, though nothing inferior, perhaps, in the opinion of a third party. And the difference may proceed from this; that the young people of one country travel into the other, where the inhabitants ſtay at home: a circumſtance which would prove very prejudicial to the country of the travellers, if a wiſe ſtateſman did not, by ſeaſonable prohibitions upon certain articles of foreign conſumption, prevent the bad conſequences of adopting a taſte for what his ſubjects cannot produce.

This furniſhes a hint, that it might not be a bad maxim in a great monarchy, to have houſes built in the capital for every foreign miniſter, where the general diſtribution of the apartments of each might be, as much as poſſible, analogous to the taſte of the country for whoſe miniſter it is calculated: but as to the furniture, to have it made of the moſt elegant domeſtic manufactures eaſily exportable, nicely adapted alſo to the uſes and faſhions of every foreign country. Such a regulation could never fail

of being highly acceptable; as it would prove a great ſaving to foreign miniſters, and would inſenſibly give them a taſte for the manufactures and luxury of the country they reſide in. On the other hand, I would be ſo far from expecting a return of this civility, that I would recommend a ſet of furniture, as a gratification, to every miniſter ſent abroad, who ſhould regularly ſell it off upon the expiration of his commiſſion. Such an expenſe would not coſt one penny to the nation, and would be a means of captivating unwary ſtrangers, who might be thereby made to pay dearly for ſuch marks of politeneſs and civility. I return.

Without being expert in the computation of exports and imports, or very accurate in combining the different courſes of exchange between the different cities of Europe, a ſtateſman may lay it down as a maxim, that whatever foreign commodity, of whatſoever kind it be, is found to be conſumed within the nation he governs, ſo far the balance of trade is againſt her; and that ſo far as any commodity produced either by the ſoil, or labor of the inhabitants, is conſumed by foreigners, ſo far the balance is for her.

A nation may in ſome meaſure be compared to a country gentleman, who lives upon his land. This I ſuppoſe to be his all. From it he draws directly his nouriſhment, perhaps his clothes are worked up in his family. If he be ſo very frugal as never to go to market for any thing, any ſpare produce which he can ſell, is clear money in his purſe. If he indulges now and then in a bottle of wine, which his farm does not produce, he muſt go to market with

his purſe in his hand; and ſo ſoon as his bottle is out, I think he is effectually ſo much poorer than he was before. If he goes on, and increaſes his conſumption of ſuch things as he is obliged to buy, he will run out the money he had in his purſe, and be reduced to the ſimple production of his farm. If then this country gentleman be poorer, certainly ſome body is richer; and as it is no body in his family, it muſt be ſome of his neighbours.

Juſt ſo a nation which has no occaſion to have recourſe to foreign markets, in order to ſupply her own conſumption, muſt certainly grow rich in proportion to her exportation.

Theſe riches again will not circulate at home, in proportion to the domeſtic conſumption of natural produce and manufactures, but in proportion to the alienation of them for money, the ſurplus-wealth will ſtagnate in one way or other, in the hands of the money gatherers, who are the ſmall conſumers.

While there is found a ſufficient quantity of money for carrying on reciprocal alienations; thoſe money gatherers will not be able to employ their ſtagnated wealth within the nation; but ſo ſoon as this gathering has the effect of diminiſhing the ſpecie, below the proportion found neceſſary to carry on the circulation, it will begin to be lent out, and ſo return to circulate for a time, until by the operation of the ſame cauſes it will fall back into its former repoſitories.

Should it be here objected, that upon the augmentation of a nation's riches, no money can ſtagnate; becauſe *prices riſing in proportion to the augmentation of*

of them, all the additional wealth muſt be thrown into circulation: ſurely both reaſon and experience muſt point out the weakneſs of ſuch an objection.

While a favorable balance, therefore, is preſerved upon foreign trade, a nation grows richer daily; and ſtill prices remain regulated as before, by the complicated operations of demand and competition; and when one nation is grown richer, others muſt be growing poorer: this is an example of a favorable balance of trade.

When this ſuperfluity of riches is only profited of by the luxurious individuals, inſtead of being turned to profit by the ſtate itſelf, with a view to ſecure the advantages thereby acquired, then the balance takes a contrary turn: this is the caſe whenever foreign importations for conſumption, are either permitted as a gratification to the luxurious deſires of the wealthy, or becauſe of the riſe in the price of goods at home, in conſequence of domeſtic competition. If it be permitted purely in favor of the firſt, it marks a levity and want of attention unworthy of a ſtateſman: if on account of the ſecond, it ſhows either an ignorance of the real conſequences of ſo temporary an expedient, or a diſregard for the welfare of the lower claſſes of the people.

Every augmentation of prices at home, muſt be a neceſſary conſequence of many domeſtic circumſtances, and muſt be removed by correcting them, as has been, I think, made clear. But let it be ſuppoſed, that from the augmentation of wealth *alone*, manufactures can no more produce work ſo cheap as other nations; I think that both in humanity,

and prudence, a people ſhould ſubmit to the inconvenience of paying dearer. In humanity, becauſe by the introduction of foreign manufactures, you ſtarve thoſe very people, who by their labor have enriched you: in prudence, becauſe by opening your ports to ſuch importation you deliberately throw away that ſuperiority of riches you have been at ſo much pains to acquire.

I freely grant, that particular people do not regulate either their expenſe or their ſchemes of getting money, with a view to promote the public good. One who has a coat to buy, will be very glad to find a piece of foreign manufacture at a cheap rate: another will wiſh to ſmuggle a piece of goods on which there is a high duty. But the queſtion is, whether a ſtateſman is to allow this foreign conſumption? I think it is much the ſame queſtion, as if it were aſked, whether the maſter of a family ſhould, in good economy, allow his ſervants to invite their friends to drink in his cellar, inſtead of carrying them to a public houſe.

But ſuppoſe it ſaid, that "by laying trade open, "you are ſure that wealth will naturally come to a "balance, in all countries, and that all fears of a "wrong balance of trade are only the effect of a "gloomy imagination." See Mr. Hume's *Political Diſcourſes* Sect. v.

Several anſwers may be made to this objection. The firſt, that it is in order to prevent this kind of balance, that every nation gives themſelves diſquiet: for by balance here, is underſtood an equality of wealth; and is it rich nations only who are anxious,

leſt they ſhould be brought to ſuch an equality. In the queſtion here before us, it is the loſs of the ſuperiority which is underſtood by a balance turning againſt a nation. If, therefore, it be the intereſt of a nation, poor in reſpect of its neighbours, to have trade laid open, that wealth may, like a fluid, come to an equilibrium; I am ſure it is the intereſt of a rich nation, to cut off the communication of hurtful trade, by ſuch impediments as reſtrictions, duties, and prohibitions, upon importation; that thereby, as by dikes, its wealth may be kept *above* the level of the ſurrounding element.

Another anſwer is, that laying trade open would not have the effect propoſed; becauſe it would deſtroy induſtry in ſome countries, at leaſt, if not every where. A manufacture muſt be very ſolidly eſtabliſhed indeed, not to ſuffer any prejudice by a permiſſion to import the like commodities from other countries. The very nature of luxury is ſuch, that it prompts people often to conſume, from caprice and novelty, what is really inferior to home-production. It may be anſwered, that this argument cuts two ways: for if a nation from caprice conſumes foreign commodities, why may not other nations from caprice likewiſe, take off thoſe which are left on hand? This reaſoning may appear good, in a theory which does not take in every political conſideration. But a poor manufacturer who cannot find work, becauſe the branch he works in is ſupplied from abroad, cannot live till the caprice of foreigners makes them demand his labor. If a certain number of inhabitants be employed in a neceſſary branch of conſumption,

there muſt be a *certain* demand preſerved for it; and whatever can render this precarious, will ruin the undertaking, and thoſe employed in it.

A third anſwer is, that any nation who would open its ports to all manner of foreign importation, without being aſſured of a reciprocal permiſſion from all its neighbours, would, I think, very ſoon be ruined; and if this be true, it is a proof that a balance of trade is a poſſible ſuppoſition, and that proper reſtrictions upon importation may turn to the advantage of a ſtate.

In order to promote induſtry, a ſtateſman muſt act, as well as permit and protect. Could ever the woollen manufacture have been introduced into France, from the conſideration of the great advantage England had drawn from it, if the King had not undertaken the ſupport of it, by granting many privileges to the undertakers, and by laying ſtrict prohibitions on all foreign cloths? Is there any other way of eſtabliſhing a new manufacture any where?

Laying, therefore, trade quite open would have this effect, it would deſtroy at firſt, at leaſt, all the luxurious arts; conſequently it would diminiſh conſumption; conſequently, diminiſh the quantity of circulating caſh; conſequently, it would promote hoarding; and conſequently, would bring on poverty in all the *ſtates* of Europe. Nothing, I imagine, but an univerſal monarchy, governed by the ſame laws, and adminiſtered according to one plan well concerted, can be compatible with an univerſally open trade. While there are different

ſtates, there muſt be different intereſts; and when no one ſtateſman is found at the head of theſe intereſts, there can be no ſuch thing as a common good; and when there is no common good, every intereſt muſt be conſidered ſeparately. But as this ſcheme of laying trade quite open, is not a thing likely to happen, we may ſave ourſelves the trouble of inquiring more particularly into what might be its conſequences; it is enough to obſerve, that they muſt, in their nature, be exceedingly complex, and if we have mentioned ſome of them, it has only been to apply principles, and ſhow how conſequences *may* follow one another: to foretel what *muſt* follow is exceedingly difficult, if not impoſſible.

In diſcourſing of the balance of trade, I have hitherto conſidered it only ſo far as the ſpecie of a country is augmented by it. In the ſubſequent book, when we ſhall have occaſion to bring this ſubject once more upon the carpet, I ſhall ſhow how a balance may be extremely favorable without augmenting the maſs of the precious metals; to wit, by providing ſubſiſtence for an additional number of inhabitants; by increaſing the quantity of ſhipping, which is an article of wealth; by conſtituting all other nations debtors to it; by the importation of many durable commodities, which may be conſidered alſo as articles of wealth; as a well furniſhed houſe, a well ſtored cellar, an ample wardrobe, and a fine ſtable of horſes, are articles which enhance the value of the inheritance of a landed man.

Then we ſhall have occaſion to ſhow how induſtry heightens the permanent value of a nation, as agriculture increaſes its annual produce.

CHAP. XXX.

Miſcellaneous Queſtions and Obſervations relative to Trade and Induſtry.

IT is now time to draw to a concluſion of this book. The ſubject of trade and induſtry is inexhauſtible, if conſidered in all its branches, and traced through every conſequence. My intention has been to inquire into the original principles which influence general operations, and which, leſs or more, enter into every combination. I have repreſented trade in its infancy, manhood, and old age; and have endeavoured to preſcribe a general regimen of health for every period. It is ſufficient to be thoroughly maſter of the principles, to be able to apply them to particular caſes, providing every circumſtance be exactly known.

The intention of this chapter, is, to review ſome parts of our ſubject which I think have not received all the light neceſſary to be thrown upon them, to ſuggeſt ſome remarkable differences between ancient and modern economy, with regard to circulation and induſtry; and, in general, to lay certain circumſtances together, which may point out the ſpirit of modern times, from which we are endeavouring to extract a ſet of conſiſtent principles. Every thing which points out relations is uſeful; becauſe we know nothing, but through this channel. Now certain relations are too frequently taken for granted, and nothing is more eſſential in political reaſoning, than to point them

out clearly, to proceed by the ſhorteſt ſteps, and ſtill to keep experience and matter of fact before our eyes, when we draw a concluſion from a general propoſition. Let the concluſion appear ever ſo juſt, if, when compared with experience, a diſagreement appears, it is ten to one we have overlooked ſome circumſtance, which ought to have entered into the combination.

To illuſtrate this, let me cite a miſtake of my own, which I purpoſely left uncorrected, in the ſecond chapter of the firſt book, where I very confidently declare, that a ſtateſman, who, upon certain occaſions, which ſeem favorable for raiſing great ſums upon a people, increaſes taxes only in proportion to the intereſt of the money borrowed, muſt be ſhortſighted and regardleſs of futurity. This, I remember, appeared to me at the time I wrote, ſo clear and evident, that I thought I ran no riſk in making it enter into a preliminary chapter. But when I came to look a little more particularly into the matter, I found I had been groſsly miſtaken; as I hope to ſhow evidently in its proper place. Had every ſuch miſtake been treated with the ſame indulgence, I ſhould have been more employed in the correction of my own blunders, than in the proſecution of my ſubject. People who reaſon with tolerable exactneſs on ſuch ſubjects, generally fall into miſtakes, from the generality of their propoſitions. Theſe may commonly be true enough, within the compaſs of the author's combinations at the time, and yet may not be true in every other caſe. From which I infer, that every one of my

readers, who can form combinations more extenſive than mine, will find ſufficient matter for criticiſm in every page of this inquiry. So much the better: it is by ſuch criticiſms and diſcuſſions, that particular branches of knowledge are brought to the certainty of ſcience.

The more ſimple any plan of political economy is, the more it is eaſy to govern by general rules; the more complex it becomes, the more it is neceſſary for a ſtateſman to enter into combinations. But when general rules have been long eſtabliſhed, they gain ſuch an authority over the minds of a people, that any deviation from them appears like hereſy in religion: and how ſeldom does it happen, that a people is bleſſed with a governor, who has both penetration to diſcover, art to perſuade, and power to execute a plan adapted to every combination of circumſtances.

No change can happen in a ſtate, but what is advantageous to ſome claſs or other, and when the public good requires that a ſtop ſhould be put to ſuch advantages, numbers of diſcontented people will always be found. Circumſtances, therefore, ought to be well weighed before new plans of adminiſtration are entered upon; and when once adopted, thoze who pretend to criticize, muſt ſuppoſe themſelves provided with ſuperior talents and better informations as to every circumſtance, than the author of the innovation. For this reaſon, there is little danger in cenſuring a ſtateſman's opinion, when he delivers it; but a great deal in finding fault with his conduct, when his motives are not known.

In the former chapters, we have been treating of the nature and conſequences of circulation, the effects of augmentations and diminutions of ſpecie, and the doctrine of Mr. Hume concerning the balance of trade. The perſpicuity with which this author writes, renders his ideas eaſy to conceive; and when people underſtand one another, moſt diſputes are ſoon at an end.

In order, therefore, to throw a little more light upon the nature of the balance of trade between nations, let me examine the following queſtions while we have the ſubject of the laſt chapter freſh in our memory.

QUEST. 1. Can any judgment be formed concerning the ſtate of the balance of trade of a nation, barely from the quantity of ſpecie that is found in it?

I anſwer in the negative. A great proportion of all the ſpecie of Europe, may be found in a country againſt which the balance of trade has ſtood regularly for many years. An inconſiderable proportion of it may be found in another, which has had it as regularly in its favor for the ſame time.

The balance upon every article of trade, may be favorable to a nation which ſquanders away more than the returns of it, upon foreign wars.

The balance of every article of trade, may be againſt a country which receives more than all the loſs incurred, either from her mines, from countries tributary to her, or who willingly furniſh ſubſidies upon many political conſiderations.

Beſides theſe varieties, there are ſtill other combinations, relative to the ſpecie itſelf. The money found

in a country, may either be ſaid to belong *abſolutely* to the country, when neither the ſtate itſelf, or the particular people of it, are in debt to foreigners; or only ſo *by virtue of a loan.* Now, whether it is borrowed or not, the property of it belongs to the country; but the difference conſiſts in this, that when it is borrowed, the acquiſition of the metals adds nothing to the national patrimony, that is to ſay, there is no acquiſition of wealth thereby made; but when it is gained by induſtry, the money adds to the real value of the country, in conſequence of the principles laid down in the 26th chapter.

May not a nation then, having very little gold and ſilver, open a ſubſcription for millions, at ſo much *per cent?* Will not ſtrangers lend to her, when her own ſubjects cannot? May ſhe not yearly, by paying away the intereſt of the money borrowed, and by a heavy balance of trade againſt her, be conſtantly diminiſhing her ſpecie, and yet by new contracts, keep up, and even increaſe the maſs of the circulating value, to ſuch a degree, as to be poſſeſſed of a greater proportion of ſpecie than any of her neighbours? Farther,

Is it not certain, that all nations will endeavour to throw their ready money, not neceſſary for their own circulation, into that country where the intereſt of money is high with reſpect to their own, and where conſequently the value of property in land is low; ſince they may either draw a high intereſt from it, or make the acquiſition of ſolid property? Forbidding therefore the acquiſition of ſolid property to ſtrangers, is, in effect, a prohibition upon

the gratuitous importation of ſpecie. I allow there may be examples of people who make ſuch purchaſes, with a view to draw the rents of the lands bought, out of the country; but whatever be the intention at the time of purchaſe, ſuch however is the effect of an eſtabliſhed fortune in a country, that, ſooner or later, it draws the proprietor to it; and when this does not happen, a ſubſequent alienation commonly takes place.

Were the purchaſe, therefore, of lands permitted univerſally, and were it eſtabliſhed, that property in land, to a certain value, ſhould give a right to naturalization, no doubt large ſums would be brought into thoſe countries, where lands are found cheapeſt; and as no exportable commodity is given in return, the ſpecie of ſuch countries might mark the quantity of lands ſold, as well as that of merchandize exported. For want of a ſufficient extenſion of theſe and many other combinations, which it would be eaſy to contrive, Mr. Belloni, in his *Diſſertation upon Commerce*, Chap. I. Sect. 5. falls into ſeveral miſtakes, when he judges of the exportation of commodities of a particular country, by the quantities of money found in it.

Eſſendo adunque da cio venuto (ſays he) *che l'abbondanza del danaro, ovunque ſi ritrovi, ſignifica l'abbondanza ſteſſa delle coſe, delle quali egli è miſura: perciò divizioſi meritamente ſono ſtati detti quegli uomini, e ricco altreſi quel regno, dove ſi ritrova gran copia di danaro. Dall'altro canto poi, ſe ſi conſidera lo ſtato di un regno, ed il danaro, che è dentro di eſſo, tenendo ſempre ſalda l'eſſenza della moneta (che altro*

non ſia, che miſura di coſe, e prezzo, che viene in compenſo di mercanzie) ovunque di eſſa vedraſſi affluenza, ognuno ben vede, doverſi ſubito neceſſariamente arguire, un gran traffico di quel dominio, con eſito di merci, in uſo degli eſteri, ed all'incontro ovunque queſta venga a mancare, doverſene dedurre grande introito di merci, che ſieno ſubentrate nel luogo della moneta, e che l'abbiano fatta uſcire.

Theſe conſequences are only juſt ſo far as money comes into, or goes out of a country, as the price of merchandize exported or imported. But how much money has not this author himſelf drawn into Rome from England, for the exportation of nothing but the bills of travellers?

On the other hand, may not a country, which is actually in poſſeſſion of great quantities of gold and ſilver, call in theſe metals, and circulate, in their place, a ſymbolical money? May not a nation then, as well as a private perſon, employ this ſpecie in a profitable foreign trade, and gain daily by it? May ſhe not, after ſome time, withdraw her ſtock, by calling in her debts? And may ſhe not alſo call in her paper, and remain with an additional acquiſition of ſpecie in her pocket? Conſequently, during the circulation of the paper, no judgment can be formed as to the balance of her trade, by examining the ſtate of her ſpecie, becauſe I can ſuppoſe that at this time every ſhilling of it may be in the hands of ſtrangers. Conſequently, the richeſt nation in Europe may be the pooreſt in circulating ſpecie.

"The writings of Mr. Gee (ſays Mr. Hume in his "*Political Diſcourſe upon the Balance of Trade*) ſtruck "all the nation with a panic fear, by ſhowing from

" a long enumeration of particulars, that the ba-
" lance inclined ſo much againſt us, and for ſo con-
" ſiderable ſums, that in the ſpace of five or ſix
" years, there would not remain one ſhilling in
" England. But happily twenty years are elapſed
" ſince, we have ſupported a long and expenſive
" foreign war, and nevertheleſs, it is commonly
" believed, that money is at preſent as plentiful in
" the kingdom as ever." I quote from the French tranſlation.

Mr. Gee was in the wrong to conclude, that the balance of trade would have the effect of carrying off the coin: and Mr. Hume has been miſled by this miſtake, to conclude, that Mr. Gee's calculations were falſe. I know nothing as to the matter of fact; nor whether Mr. Gee was a good or a bad judge of the queſtion he treated; but from what has been ſaid, I hope it appears, that the ſtate of the coin in England, at the time Mr. Hume wrote, was no proof on either ſide.

To judge of the balance of trade is one thing; to judge of the wealth of a nation as to ſpecie is another. England may greatly increaſe her ſpecie by her trade, and greatly diminiſh it by her wars: perhaps this may be the fact. She may alſo, at certain times, have a balance of trade againſt her; and great ſums laid out in foreign wars, may be the means of making it return in her favor. Should that nation begin to pay off her debts to ſtrangers, in ready coin, might ſhe not ſoon diminiſh, perhaps exhauſt, the ſpecie ſhe is now poſſeſſed of; yet ſurely none ever became poorer by paying off their debts. Nothing is ſo eaſy as to have

ſpecie, when one has ſolid property to pledge for it; and nothing can be worſe jndged, than to purchaſe ſpecie from ſtrangers, at the expenſe of paying an intereſt for it, when they can contrive a circulating value in paper money, repreſenting the ſolid value which muſt have been pledged to ſtrangers for the loan of their metals.

But ſtill it may be aſked, how it happens, that notwithſtanding of the moſt unfavorable balance of trade, no nation is ever found to be entirely drained of her ſpecie; and ſince we have proved, that the ſpecie of a country may be diminiſhed by a diſadvantageous trade, what are the principles which prevent the total diſſipation of it?

This is a very curious queſtion, and opens a door to a multitude of new ideas, which will furniſh abundant matter of ſpeculation, when we come to treat more directly of credit. I ſhall here examine it in general, only for the ſake of applying the principles we have laid down.

I. It may be ſaid, that as common prudence prevents a private perſon from ſpending to his laſt ſhilling; ſo the like prudence commonly engages a people to put a ſtop to trade, before it has had time totally to drain them. Although moſt people drink wine, there is no reaſon why every body ſhould be drunk.

II. Nothing is ſo complicated as the balance of trade, conſidered among many nations. The general wealth circulates from one to another, as the money which the farmer gives the landlord circulates back to the farmer. In the number of hands through which

the money paſſes, ſome are of the claſs of the luxurious, ſome of the frugal; the firſt repreſents thoſe nations who loſe by the balance, the latter thoſe who gain. But the moſt induſtrious nations of all, and thoſe who, conſidered abſtractedly from extraordinary accidents, appear in the way to ſwallow up the wealth of the reſt, are, by the means of ſuch accidents, made liable to terrible reſtitutions. How many millions, for example, has England reſtored to the continent, in conſequence of her wars and ſubſidies? She then lays a foundation for many more years of favorable balance, and accordingly we ſee it return to her, as the money which the ſtate ſpends within the nation, returns into the exchequer at the end of the year.

III. It may be aſked, how it happens that no nation has ever ſpent to its laſt farthing, as many an individual has done? I anſwer, that I am far from believing that this has never happened; nay, I believe there is nothing more frequent or familiar than this very caſe, providing the riches of a country be here ſuppoſed to mean no more than the ſpecie *abſolutely* belonging to herſelf, not borrowed from other nations.

I have ſaid above, that the acquiſition of money by induſtry, increaſed the real value of a country, as much as the addition of a portion of territory: now what ſhould hinder a people from ſpending their ready money, and, at the ſame time, preſerving their land? Becauſe a young gentleman, whoſe father has left him a fine eſtate in land, and ten thouſand pounds in ready money, has ſpent the ten thouſand pounds, does it follow, that

he is without a ſhilling? Upon this view of the queſtion, it will, I believe, be granted, that Dr. Swift's idea, that all the ſpecie of Ireland would in a ſhort time be exported, in conſequence of an unfavorable balance of trade, is very far from being chimerical, and might be exactly true; although at this time there be ſix times more in circulation than ever; juſt as a perſon who is running through his fortune, has commonly more money in his hands than his father uſed to have, when he was acquiring it. Let Ireland pay her debts to England, and then count her ſpecie. Let England pay her's to all the world, and then weigh her gold and ſilver. Suppoſe that on ſumming up the accounts, there is not found one ſhilling in either country, is this any proof of their being undone? By no means: *coin is one article of our wealth, but never can be the meaſure of it.*

I know little of the ſtate of Ireland; but if it be true, that paper money is increaſing daily in that country, it is, I ſuppoſe, becauſe the ſpecie is daily exported to England, as the returns of eſtates belonging to people who reſide there, and that the Iriſh, inſtead of buying it back again for their own uſe in circulation, augment their paper, in proportion to the progreſs of their induſtry; and only buy ſuch quantities of ſpecie as are neceſſary for paying the balance of their trade. Now by buying ſpecie, I do not ſuppoſe, that they bring any over to Ireland, in order to ſend it back to England; but that they ſend over goods to the value, which the Engliſh merchants pay in ſpecie,

of

or in Engliſh paper, to thoſe who are creditors upon Ireland, for the value of their rents, &c.

Suppoſe then, for a farther illuſtration of ſome principles, that all the lands of Ireland belonged to Engliſhmen reſiding in their own country, and annually drawing from Ireland the income belonging to them, what would the conſequence be? As long as this portion of the produce of lands, which goes for rent, (and which, as we have ſaid, is the fund provided for the ſubſiſtence of the free hands who purchaſe their own neceſſaries) could be bought and conſumed by the Iriſh themſelves, that is, in other words, while in Ireland there was a demand for this portion of the fruits, it would be paid for, either in coin, to the diminution of their ſpecie, or in ſomething which might be converted into money; that is, by the produce of their induſtry, and thus, by the means of trade, would come into the hands of the Engliſh proprietors, either in ſpecie, or in any other form they judged proper.

That ſo ſoon as the demand for this portion of fruits came to fail, for want of money, or induſtry, in Ireland to purchaſe it, what remained on hand would be ſent over to England in kind; or by the way of trade, be made to circulate with other nations (in beef, butter, tallow, &c.(who would give ſilver and gold for it, to the proprietors of the Iriſh lands. By ſuch a diminution of demand in the country, for the fruits of the earth, the depopulation of Ireland would be implied; becauſe they who conſumed them formerly, conſume them no more; that is to ſay, they either died, or left the country.

To conclude, a great part of the value of a country is its produce and manufactures; but it does not follow, as Mr. Belloni aſſerts, that theſe ſhould as neceſſarily draw a proportional ſum of the gold and ſilver of Europe into that country, as a ſhoal of ſmall fiſhes draws water fowl, or as charity draws the poor, or as beauty draws admiration.

QUEST. 2. Can no rule be found to judge of the balance of trade from the ſtate of ſpecie, or at leaſt to perceive the effects of that balance in augmenting or diminiſhing the maſs of riches?

Could it be ſuppoſed that ſpecie never circulated between nations, but in the way of trade, and in exchange for exportable commodities, this would be a rule.

In nations where the earth produces neither gold or ſilver, and where theſe metals are imported as the returns of induſtry only, the balance in their favor, from the introduction of ſpecie, to this day, would be meaſured by the quantity of it which they poſſeſs. Here Mr. Belloni's opinion is juſt.

Farther, the conſumption made by any nation for the ſame term of years, is equal to the whole natural produce and labor of the inhabitants for that time, *minus* the quantity of ſuch produce and labor, as is, or has been equal in value to the actual national ſpecie.

On the other hand, in nations where gold and ſilver are produced by the earth, the balance of trade againſt them, from the time theſe metals became the object of trade, to this day, may be eſtimated by the quantity of them which has been exported.

And farther, the conſumption made by ſuch nations,

for the ſame term of years, is equal to the whole natural produce and labor of the inhabitants for that time, *plus* the quantity of ſuch produce and labor, as is, or has been equal to the quantity of theſe metals exported.

Theſe poſitions are by much too general to be laid down as principles, becauſe trade is not concerned in every acquiſition or alienation of ſpecie; but they may ſerve, in the mean time, to illuſtrate the doctrine we have been conſidering, and even in many caſes may be found pretty exact. For example.

If it be true, that in any nation of Europe, there be now juſt as much ſilver and gold as there was ten years ago, and if that nation during this period, has ſupported, without borrowing from ſtrangers, an expenſive war which may have coſt it, I ſuppoſe, five millions, it is certain, that during this period, the home conſumption muſt have been the value of five millions leſs than the natural produce, labor, and induſtry of the inhabitants; which ſum of five millions muſt have come from abroad, in return for a like value of the production, labor, &c. remaining over and above their own conſumption.

In this ſuppoſition, the national wealth (the metals) remains as before, the balance of it only is changed. How this change is performed, and what are its conſequences, may be diſcovered by an application of the principles already laid down.

QUEST. 3. What were the effects of riches before the introduction of trade and induſtry?

I never can ſufficiently recommend to my readers to compare circumſtances, in the economy of the

ancients, with that of modern times; becauſe I ſee a multitude of new doctrines laid down, which, I think, never would have been broached, had ſuch circumſtances been properly attended to. I have endeavoured to ſhow, that the price of goods, but eſpecially of articles of the firſt neceſſity, have little or no connexion with the quantities of ſpecie in a country. The ſlighteſt inſpection into the ſtate of circulation, in different ages, will fortify our reaſoning: but the general taſte of diſſipation which is daily gaining ground, makes people now begin to imagine, that wealth and circulation are ſynonimous terms; whereas nothing is more contrary both to reaſon and matter of fact. A ſlight review of this matter, in different ages, will ſet it in a clearer light than a more abſtract reaſoning can.

It is a queſtion with me, whether the mines of Potoſi and Braſil, have produced more riches to Spain and Portugal, within theſe two hundred years, than the treaſures heaped up in Aſia, Greece, and Egypt, after the death of Alexander, furniſhed to the Romans, during the two hundred years which followed the defeat of Perſeus, and the conqueſt of Macedonia.

From the treaſures mentioned by all the hiſtorians who have writ of the conqueſt of thoſe kingdoms by the Romans, I do not think I am far from truth, when I compare the treaſures of the frugal Greeks to the mines of the new world.

What effect, as to circulation, had the accumulation of theſe vaſt treaſures? Not any to accelerate it, ſurely: and no perſon, the leaſt converſant in

antiquity, will pretend that the circulating ſpecie in thoſe times, bore as great a proportion to their treaſures, as what is at preſent circulating among us, bears to the wealth of the moſt economizing Prince in Europe. If any one doubt of this particular, let him liſten to Appian, who ſays, that the ſucceſſors of Alexander, the poſſeſſors of thoſe immenſe riches, lived with the greateſt frugality. Thoſe treaſures were then, as I have ſaid, a real addition to the value of their kingdoms; but had not the ſmalleſt influence upon prices. In thoſe days of ſmall circulation, the prices of every thing muſt have been vaſtly low, not from the great abundance of them, but becauſe of the little demand; and as a proof of this, I cite the example of a country, which, within the ſpace of fifty years, poſſeſſed in *ſpecie* at one time, conſiderably beyond the worth of the land, houſes, ſlaves, merchandize, natural produce, moveables, and ready money, at another. The example is mentioned by Mr. Hume, and I am ſurpriſed the conſequence of it did not ſtrike him. For if the money they poſſeſſed was greatly above the worth of all their property, moveable and immoveable, ſurely it never could be conſidered as a repreſentation of their induſtry, which made ſo ſmall a part of the whole. Athens poſſeſſed, before the Peloponeſian war, a treaſure of ten thouſand talents; and fifty years afterwards, all Athens, in the ſeveral articles above ſpecified, did not amount to the value of ſix thouſand. Hume's *Political Diſcourſes upon the Balance of Trade.*

Theſe treaſures were ſpent in the war, and they

had been laid up for no other purpoſe. Therefore I was in the right, when I obſerved above, Chap. 22. that war in ancient times, had the effect that induſtry has now: it was the only means of making wealth circulate. But peace producing a general ſtagnation of circulation, people returned to the ancient ſimplicity of their manners, and the prices of ſubſiſtence remained on the former footing; becauſe there was no increaſe of appetite, or riſing of demand upon any neceſſary article. So much for the ſtate of wealth during the days of frugality.

The Romans ſubdued all thoſe kingdoms of the Greeks, and drew their treaſures to Rome. The republic went to deſtruction, and a ſucceſſion of the moſt prodigal Princes ever known in hiſtory ſucceeded one another for about two hundred years. Thoſe monſtrous treaſures were then thrown into circulation, and I muſt now give an idea of the effects produced by ſuch a revolution.

I have already obſerved (Chap. 28.) that in conſequence of the great prodigality of thoſe times, the prices of ſuperfluities roſe to a monſtrous height; while thoſe of neceſſaries kept exceſſively low. The fact is indiſputable, and any one who inclines to ſatisfy himſelf farther, may look into that valuable collection of examples of ancient luxury, wealth, and at the ſame time of ſimplicity, found in Mr. Wallace's *Diſſertation upon the Numbers of Mankind in ancient and modern Times*, p. 132. & ſeq.

But how is it to be accounted for, that the prices of ſuperfluities ſhould ſtand ſo high, while neceſſaries were ſo low? The reaſon is plain, from the principles

we have laid down. The circulation of money had no reſemblance to that of modern times: fortunes were made by corruption, fraud, concuſſion, rapine, and penury; not by trade and induſtry. Seneca amaſſed in four years 2,400,000 pounds ſterling. An augur was worth 3 millions ſterling. M. Antony owed on the Ides of March, 322,916 pounds ſterling, and paid it before the calends of April. We know of no ſuch circulation. Every revolution was violent: the powerful were rapacious and prodigal, the weak were poor and lived in the greateſt ſimplicity: conſequently, the objects of the deſires of the rich were immenſely dear; and the neceſſaries for the poor were exceſſively cheap. This is a confirmation of the principles we have laid down in Chap. 28. that the price of ſubſiſtence muſt ever be in proportion to the faculties of the numerous claſſes of thoſe who buy: that the price of every thing muſt be in proportion to the demand made for it; and that in every caſe, where the ſupply can naturally increaſe in proportion to the demand, there muſt be a determined proportion between the price of ſuch articles and that of ſubſiſtence. Now in the examples given by Mr. Wallace, of ſuch articles as were found at monſtrous prices, we only find ſuch as could not be increaſed according to demand: here is the enumeration of them. Large aſſes brought from Spain, peacocks, fine doves, mullets, lampreys, peaches, large aſparagus, purple, wool, jewels, carpets, *veſtes Byſſinæ*, ſlaves ſkilled in the finer arts, pictures, ſtatues, books, and rewards to thoſe who taught the ſciences. By caſting a glance upon the catalogue, we may eaſily perceive

that the extraordinary price muſt have proceeded from the impoſſibility of augmenting the ſupply in proportion to the demand; not from the abundance of the money, which had no effect in raiſing the price of neceſſaries. The cheapneſs again of theſe, did not proceed from vaſt plenty; but becauſe the price muſt have remained in proportion to the faculties of the numerous poor; and becauſe the augmentation of the wealth of the rich never could increaſe their conſumption of any neceſſary article. Had the Roman empire been governed with order and tranquillity, this taſte of luxury, by precipitating money into the hands of the numerous claſſes, would, in time, have wrought the effects of multiplying the number of the induſtrious, by purging the lands; conſequently, of increaſing the demand for vendible ſubſiſtence; conſequently, of raiſing the price of it. And on the other hand, the adequate proportion between ſervices and rewards given by the public, would have checked the other branch of circulation which produced thoſe monſtrous fortunes, to wit, rapine and corruption: and induſtry receiving a regular encouragement, every article of extraordinary demand for delicate aliments, birds, fiſhes, fruits, &c. would have been ſupplied with ſufficient abundance; and conſequently, would have fallen in its price. But when either deſpotiſm or ſlavery were the patrimonial inheritance of every one on coming into the world, we are not to expect to ſee the ſame principles operate, as in ages where the monarch and the peaſant are born equally free to enjoy the proviſion made for them by their forefathers.

I ſhall now come nearer home, and examine a very remarkable difference between the economy in practice ſome hundred years ago, and that of the preſent time, with regard to the method of levying men and money.

This change is a conſequence of trade and induſtry, and as I have been preparing the way for the introduction of other matters which equally owe their exiſtence to them, it may not be improper, in this laſt chapter, to point out the natural cauſes of this change in modern politics. When people conſider effects only, without examining the cauſes which produce them, they commonly blame raſhly, or fall into an idle admiration of fortune. It is only by tracing natural cauſes, that we come at the means of forming a ſolid judgment of the nature of every abuſe, and of every advantage.

The general taſte for the extenſion of induſtry, is what has brought ſuch loads of money into circulation; not the diſcovery of America. We read of treaſures in ancient times which appear to rival the wealth of modern Europe. Appian, as cited by Mr. Hume, mentions a treaſure of the Kings of Egypt, of near two hundred millions ſterling; and ſays, that all the ſucceſſors of Alexander were nearly as rich, and fully as frugal. Frugality then is compatible with the greateſt wealth. Therefore the wealth of America, has not been the cauſe of European refinement; but the extenſion of civil liberty has obliged the poſſeſſors of treaſures, which in all ages have been coveted by man, to open their repoſitories, in order to

procure the ſervice of thoſe who formerly made a branch of the property of the moſt wealthy. This is the foundation of trade and induſtry.

Why, therefore, has trade and induſtry laid the foundation of taxes and ſtanding armies, which appear ſo contrary to the one and the other?

I anſwer ſhortly, that very little change has been made as to things themſelves by that revolution; but with reſpect to the order of things, the difference is great. Trade and induſtry cannot flouriſh without method and regularity; taxes and ſtanding armies are only a ſyſtematical execution of the old plan, for preſerving the power, ſafety, and independence of the nations of Europe.

Taxes are no more than the liquidation of thoſe ſervices which formerly were performed in kind. Standing armies are become neceſſary, that the call of the rich luxurious, who are inſatiable in their demand for the ſervice of the poor, may not be able to engroſs alſo the hands neceſſary for the defence of the ſtate. Perſonal ſervices were the taxes of former times. Let no man imagine, that ever any ſtate could ſubſiſt without the contribution of its ſubjects. But a more authentic proof of this opinion is, that in the year 1443, while Charles the VIIth was engaged in the long war with the Kings of England, who diſputed with him the monarchy of France, the ſervices of the vaſſals of that kingdom (by the edict of Saumur of the 14th of September) were formally converted into the perpetual *Taille;* and this may be conſidered, as the foundation of the

regular military force of the French nation. No body, in thoſe days, imagined ſuch an impoſition to be oppreſſive or unjuſt: and if thoſe who remain ſubject to it, appear under oppreſſion at preſent, it is only becauſe they continue in their ancient ſituation. Perſonal ſervices are the heavieſt of all impoſitions.

QUEST. 4. Why, therefore, are taxes ſo generally cried out againſt, why do they appear ſo new an invention, and why do people flatter themſelves, that there is a poſſibility of putting an end to ſo general an oppreſſion? I anſwer, becauſe people commonly attend to words, and not to things. In former times, the great bulk of the inhabitants lived upon the lands, and were bound to perſonal ſervice. This kind of impoſition was familiar, general, and equal; every claſs of the people was bound to ſervices analogous to their rank in the ſtate. The induſtrious who lived without any dependence upon the lands, and who did not enjoy the privileges of cities and corporations, were ſo few, that they were not an object of public attention. Farther, moſt privileges then known, were in conſequence of land-property; conſequently, thoſe independent people were in a manner without protection, they were vaſſals to no body; conſequently, had no body to intereſt themſelves for them; conſequently, were a prey to every one who had power, and no body was ſorry to ſee a rich fellow, who had got plenty of ready money, and who ſeemed to do nothing for it, plundered by a lord who appeared in the ſervice

of his country. We ſee in the time of the croiſades how odious all thoſe money gatherers were; theſe were what we now call traders, it was principally in hatred to them, that the borrowing of money at intereſt was declared antichriſtian; becauſe the Jews were principally in thoſe days the merchants or the money lenders.

In the beginning of the ſixteenth century, when Princes began to take a taſte for magnificence, finding no body, almoſt, within their own country capable to ſupply them, they uſed to ſend to Flanders and Venice, the great trading ſtates in thoſe days, for many kinds of manufactures. This is the fountain of foreign trade in Europe. The two ſtates perceiving the great benefit reſulting to them from this new taſte of diſſipation, gave great encouragement to the induſtrious. Had they begun to impoſe high taxes upon them, they would have ruined all. Induſtry, then, was encouraged at firſt, and little loaded with any impoſition. This is perfectly conſiſtent with our doctrine. Some Princes, perceiving the daily diminution of their wealth, made efforts to reſtore this ancient ſimplicity, by forbidding this hurtful trade; others, ſuch as Francis I. of France, and Henry VIII. of England, endeavoured all they could to eſtabliſh induſtry in their own ſtates. For this purpoſe, great privileges were granted to the induſtrious, who thereby increaſed daily. But this revolution naturally purged the lands, and by that operation diminiſhed the number of perſonal ſervice-men; or, as in France, where perſonal ſervice was at an end, the number of thoſe ſubject to the *taille*. I ſhall not trace this pro-

greſs very minutely, but come directly to the period of extenſive taxation. When induſtry was fairly eſtabliſhed, and when nations began to be well clothed with the produce of their own ſoil, wrought up in a thouſand different forms, by their own induſtrious ſubjects. Princes ſoon perceived their treaſures to melt away, and ſaw plainly, that without a method of drawing back the money from this new claſs of inhabitants, the whole wealth of the ſtate would come to centre in their hands; but the means of coming at money was extremely difficult. The proprietors of the riches had no ſolid property in proportion; and their money was inacceſſible. Some betook themſelves to violence, and others to fraud: the one and the other produced the worſt effects. The violence deſtroyed induſtry, and rendered the induſtrious miſerable: for we have obſerved, that when inhabitants are once purged from off the lands, they have no reſource left them but their induſtry; whereas let a peaſant be robbed ever ſo often of his money, he ſtill has the earth to maintain him. The fraudulent corrupted the great; the miniſters of Princes became the terror of every man who had money; they enriched themſelves by accepting of compoſitions, and the ſtate remained conſtantly in want. At laſt the ſcheme of proportional taxes took place: but for this purpoſe it was neceſſary to obtain the conſent of the whole ſtate; for no Prince's power extended ſo far, and they were not come to the time of being able to enlarge their prerogative. Such impoſitions, therefore, were firſt introduced in republics; and mixed

governments. In monarchies they were eſtabliſhed with more difficulty; becauſe the great were equally affected by them with the ſmall. But when long and expenſive wars rendered ſupplies of money abſolutely neceſſary, then were taxes conſented to; and the Prince who had not power enough to *eſtabliſh* them, eaſily found means to *keep them up*, when once introduced.

From this progreſs we may eaſily diſcover the reaſon why taxes are cried out againſt. The ſyſtem appears new, becauſe we remember, in a manner, the doubling of the impoſitions, and we ſee them daily gaining ground; but we never reflect on the change of circumſtances, and ſeldom attend to the conſequences of that new ſpecies of circulation, which is carried on between the public and thoſe employed by it. The ſtate now pays for every ſervice, becauſe the people furniſh it with money for this purpoſe.

If the blood therefore be let out, in modern times, at a thouſand orifices of the body politic, there are juſt as many abſorbitories (if I may be allowed ſuch an expreſſion) opened to receive it back. From this laſt circumſtance I imply the perpetuity of taxes, while this ſyſtem of political economy prevails. We have not as yet ſeen an example of any ſtate aboliſhing them, though many indeed have had ſuch a ſcheme in view. But to reſume my former compariſon, I may ſuggeſt, that if all the orifices through which the blood iſſues, ſhould be bound up, all the abſorbitories which are fed with the returning blood, muſt be ſtarved. But more of this in its proper place.

QUEST. 5. Why are ſtanding armies a conſequence of trade and induſtry?

In the firſt place, armies in all ages, paſt, preſent, and to come, have been, are, and will be calculated for offenſive and defenſive war; while therefore war ſubſiſts among men, armies in one way or other, will be neceſſary.

The advantage of regular armies has been known in all ages; and yet we find, that for many centuries they appeared in a manner diſcontinued; that is to ſay, we read neither of legions, nor of regiments, nor of any denomination of bodies of warlike men; kept up and exerciſed in time of peace, as was the cuſtom while the Roman empire ſubſiſted: and now, ſince trade has been eſtabliſhed, we ſee the ancient Roman military economy again revived. Let us therefore apply our principles, in order to account for this revolution alſo.

During the Roman empire, there was a very great flux of money into the coffers of the ſtate, which proceeded more from rapine than from taxes. Conſequently, it was an eaſy matter to keep up large bodies of regular forces.

With theſe they ſubdued the world, as I may call it, that is, all the polite nations then known; the Carthaginians, Greeks, and Aſiatics. Had they remained ſatisfied, their empire might poſſibly have ſubſiſted; becauſe people who are rich, luxurious, and polite, are commonly peaceable. But nothing could ſatisfy their ambition: they conquered Gaul, and ſtretched the boundary of their empire from the ſtreights of Gibraltar to the mouth of the Rhine. All

was peaceable on that ſide, and in two or three centuries, both Spain and Gaul had adopted the ſpirit, language, aud manners of the Roman people. But when they paſſed the Rhine, the Danube, and the Euphrates, they found mankind ſtill leſs cultivated, and very little known. Their enemies fled before them, and left a territory which was not worth poſſeſſing. This of all barriers is the ſtrongeſt. By carrying on war againſt ſuch people, the match was very unequal; thoſe nations had every thing to gain, and nothing to loſe; the Romans had all to loſe, and nothing to win. Thoſe wars continued until the Barbarians learned the Roman diſcipline, and became warriors. It was the moſt profitable trade for them, as well as the only means of ſafety. That this was the plan of their economy appears plainly from the form of government every where eſtabliſhed by them. Where every free man was a ſoldier, there was no occaſion for a regular militia.

Men are governed by prejudice more than by reaſon: to this I attribute the ſudden change in the government of Europe. In place of one man governing the world, as was the caſe of the Emperors, the new ſpirit was, that all ſoldiers were equal, and a King was but *primus inter pares.* The ſudden revolution had the effect of ruining every thing: learning, induſtry, politics, all went to wreck. *One hundred years of barbarity muſt ruin the effects of a thouſand centuries of politeneſs.* This is the date of the annihilation of ſtanding armies. A powerful Prince, ſuch as Charles the Great, who acted in a high ſphere, and who made the world his own, might, during

during his lifetime, eſtabliſh the old economy. But the general eſtabliſhment of the feudal form of government, which, no doubt, was the beſt for preſerving a great empire, filled with barbarity every where, joined with the weakneſs of that Prince's ſucceſſors, introduced a new form leſs barbarous than the former, but equally compatible with a numerous ſtanding militia. Every Baron became a ſovereign, and his vaſſals were bred to arms; but as they were forced to attend the plough for ſubſiſtence, as well as the camp; wars were carried on conſiſtently with agriculture. Certain months of the year were appropriated for war, others for peace. This was eaſily accompliſhed: war was conſtantly at the door; a campaign was finiſhed in a week, becauſe every man's neareſt neighbour was commonly his worſt enemy.

Europe remained in this general ſtate of confuſion for ſome centuries. Princes had, during that period, a moſt precarious authority, and when any nation chanced to be under the government of one who had talents to unite his ſubjects, he became ſo formidable that there was no poſſibility of reſiſting him. In thoſe days, it was a hard matter to form an idea of a balance of power; becauſe there was no rule to determine the force of nations. Under the Otho's, Germany threatened Italy with chains; under Edward and Henry, England ſeemed on the road of adding all France to her monarchy; Ferdinand the catholic, laid the foundation of the Spaniſh greatneſs, and his ſucceſſors bid fair for the univerſal monarchy of Europe. In our days, the

acquiſition of a ſmall province, nay of a conſiderable town, is not to be made by conqueſt, without a general convention between all the powers of Europe, and thoſe who are converſant in foreign affairs, can eſtimate, in a minute, the force of Princes, by the troops they are able to maintain; nothing is ſo eaſy as to lay down, on a ſheet of paper, a ſtate of all the armed men in Europe. A Prince can hardly add a ſoldier to a company, but all the world is informed of it. Excepting the extent of their credit, and the talents of their generals and counſellors, every thing relative to power is become the object of computation. Hence the balance of power, formerly unknown, is now become familiar. So much is ſufficient for the matter of fact; let us now examine why *trade* and *induſtry* have given riſe to ſo regular a ſyſtem of war.

The reaſon is, becauſe in a ſtate where thoſe are introduced, every thing muſt be made regular, or all will go to wreck. The keeping up of large armies, is the remains of that turbulent ſpirit which animated royalty for ſo many centuries. All literature is filled with warlike ſentiments, from the books of Moſes to the news papers of this day. A young perſon cannot learn to read without imbibing the fire of war. But as nothing is ſo evident, from the conſideration of the total revolution in the ſpirit of the people of Europe, as that war is inconſiſtent with the proſperity of a modern ſtate, I ſometimes allow my imagination to carry me ſo far as to believe the time is at hand when war will come to ceaſe. But there is no ſuch thing as predicting

in political matters: general peace is a contingent conſequence which a thouſand accidents may prevent; and one among the reſt is, that the whole plan of modern policy may be broken to pieces, before Princes come to diſcover that it is their intereſt to be quiet. The ambition of one, arms all the reſt, and when once they are at the head of their armies, want of money only aſſembles a congreſs, not to make peace, but that the parties may have ſome years to gather new force.

It is not therefore trade and induſtry which have given birth to ſtanding armies, they have only rendered war impoſſible without them. It is the ambition of Princes to extend their dominion, and even ſometimes to extend their commerce, which gives occaſion to war. And we ſee daily how difficult it becomes to provide troops for this purpoſe, from no other reaſon ſo much as from the progreſs of trade and induſtry. Thoſe who have the money cannot have the men, thoſe who have the men cannot have the money. Do we not ſee how the greateſt monarchy in Europe, the Prince who has the moſt millions of ſubjects, cannot preſerve the rank of power he has preſcribed to himſelf (*his political-neceſſary for war*) without a body of above thirty thouſand ſtrangers, in the time of the moſt profound peace, and after the greateſt reduction judged conſiſtent with the ſafety of the country? Theſe coſt vaſtly more than national troops, and brave men of all countries are alike; ſo that the only reaſon for keeping up ſo large a body of foreigners, is to facilitate augmentations when occaſion requires it; and not to ſpare the ſubjects who are willing to ſerve,

as ſhould offer. For the augmentation of this claſs, I would receive all male children who ſhould be given or expoſed by their parents. Theſe ſhould be bred to every ſort of labor for which the ſtate has occaſion, and their numbers might be carried to twenty *per cent*, above that which might be judged neceſſary in time of the hotteſt war. Out of this claſs only, the ſtanding forces might be recruited: thoſe who remained might be employed in every public ſervice; ſuch as working in arſenals, docks, highways, public buildings, &c. By taking care of the children of this whole claſs, their numbers would riſe to whatever height might be judged neceſſary. The ſame ſpirit would be kept up; they might ſerve by turns, and all become diſciplined. This is a good ſcheme, in many caſes, and is an improvement upon the diſtribution of the inhabitants: the execution is gradual; therefore no ſudden revolution is implied. But it is fit only for a ſtate which can augment its numbers, without ſeeking for ſubſiſtence from without. It would ſpare the land and manufactures, and be a ready outlet for all ſupernumeraries in every claſs.

This ſubject ſhall be reſumed in the fifth book, when we come to the application of the amount of taxes. At preſent it has found a place, only becauſe the ſupport of a national force has been ranked among the objects of attention of thoſe ſtateſmen who are at the head of rich and luxurious nations which have loſt their foreign trade.

QUEST. 6. What are the principles upon which the relative force of nations is to be eſtimated?

Without ſome limitations, no queſtion can be more difficult to reſolve than this; it muſt therefore be examined only in ſo far as it comes under the influence of certain principles. It is as impoſſible to eſtimate the real force of a nation, as it is to eſtimate that of any conſiderable quantity of gun-powder, and for the ſame reaſon The nation cannot exert all its force at once, no more than the powder can be all inflamed at once, and the ſucceſſive efforts of a ſmall power, are never equally effectual with the momentous ſhock of a great one. In proportion, therefore, as the ſpirit of individuals is moved to concur with the public meaſure, a people become powerful: and as I know of no principle which can regulate ſuch affections of the mind, we muſt throw them quite out of the queſtion, and meaſure the power of nations by the quantity of men and money at a ſtateſman's command, in conſequence of the economy he has eſtabliſhed. Let me then ſuppoſe two nations, where the number of inhabitants, and weight of gold and ſilver are abſolutely the ſame, military genius and diſcipline quite equal. From what has been ſaid, we muſt determine that nation to be the ſtrongeſt, which, without diſturbing the economy of their ſtate, can raiſe the greateſt proportion of men, and draw the greateſt proportion of money into the public coffers.

When the number of inhabitants is given, the firſt thing to be known is the nature of the produce of the country, whether moſtly in corn, wine, or paſture; the more the ground is labored, and the more

crops it yearly produces, the fewer free hands it will maintain in proportion to the whole, this computation muſt then proceed upon the principles laid down above, Book I. Chap. 8.

When once you come at the number of free hands, you muſt examine the ſtate of luxury. Luxury is juſtly ſaid to effeminate a nation, becauſe the great multitude of hands taken up in ſupplying the inſtruments of it to the rich, diminiſhes greatly the number of ſuch as can be employed in war. If manufacturers and folks accuſtomed to a ſedentary life, are at a certain age taken from trades, to compoſe armies, they will make bad ſoldiers; and the ſtrength of a nation lies chiefly in the valor and ſtrength of the ſoldiery. Luxury therefore effeminates a nation in general; but it does not follow from hence, that the moſt luxurious are the moſt effeminate, and moſt improper for war; on the contrary they are found to be the braveſt and moſt proper. The effeminacy and baſeneſs of mind, in point of courage, are found in the ſedentary multitude. The truth of this might be proved from many examples in ancient hiſtory, if the preſent ſituation of Europe left the ſmalleſt room to doubt of it.

The more therefore that luxury prevails in a country, the fewer good troops can be raiſed in it, and *vice verſa*. But it is not ſufficient to have men for war, the men muſt be enabled to ſubſiſt, and in the modern way of making war, their ſubſiſtence and other expenſes require large ſums of money. We muſt then examine what proportion of the general wealth may be applied to this purpoſe.

If in any country the riches be found in few hands, the ſtate will be poor; becauſe the opulence of the public treaſure depends greatly upon a right and proportional diſtribution of wealth among the inhabitants. Riches are only acquired three ways. Firſt, Gratuitouſly, as by ſucceſſion, gift, or the like; ſecondly by induſtry; and laſtly, by penury. Thoſe who are poor are ſeldom enriched gratuitouſly, never by penury, and always by induſtry; when a poor man grows rich in any ſtate, he changes in ſo far the balance of wealth, for what is added to him is taken from another. When a ſpirit of induſtry prevails, the balance is always turning in favor of the induſtrious, and as it is a pretty general rule, that the rich are not the moſt laborious, ſo the balance is generally turning againſt them. This being the caſe, the more that induſtry prevails, the quicker will this revolution be brought on. By ſuch revolutions, wealth becomes *equably diſtributed;* for by being *equably diſtributed*, I do not mean, that every individual comes to have an *equal* ſhare, but an equal chance, I may ſay a certainty, of becoming rich in proportion to his induſtry. Riches which are acquired by ſucceſſion, or any other gratuitous means, do not in the leaſt contribute to circulation, the owner, as has been ſaid, only changes his name. Thoſe made by penury or hoarding, inſtead of adding to, evidently diminiſh circulation. It is, therefore, by induſtry alone that wealth is made to circulate, and it is by its circulation only, that money is uſeful. When large ſums are locked up, they produce nothing; they are therefore locked up not to be uſeful while they remain ſecreted; but that

they may be uſeful when brought out in order to be alienated. In a ſtate, therefore, where there are a few very rich and many very poor, there muſt be much money locked up; for without money none can be rich, and if it were not locked up it muſt fall into the hands of the poor. Why? Becauſe the rich will not give it to the rich, gratuitouſly, nor will they labor to acquire it; either then the common people muſt be lazy and unwilling to work, or the rich muſt be ſo penurious and addicted to hoarding as to keep it out of the hands of the poor. In both which caſes, if there be money in the country, it muſt be found in coffers.

From theſe poſitions it may be concluded, that wealth which produces nothing to its owner, cannot be ſuppoſed to produce any thing to the ſtate: conſequently, that ſtate in which there is the quickeſt circulation of money, is, *cæteris paribus*, that in which the greateſt proportion of the general wealth may be raiſed for the public ſervice. This is all that is neceſſary to obſerve at preſent: when we have examined the nature of credit and taxes, and the principles upon which they may be levied in different countries, and under different forms of government, we ſhall diſcover more rules for eſtimating the force of different ſtates.

The principles of induſtry have been ſo interwoven with thoſe of trade, through all the chapters of this ſecond book, that it is now proper, before we diſmiſs the ſubject, to examine a little into the nature of the firſt, conſidered more abſtractedly, and more detached from its relation to the equivalent given for it, which is the proper characteriſtic of trade,

and from which proceeds the intimate connexion between them.

The object of our inquiry hitherto has been to diſcover the method of engaging a free people in the advancement of the one and the other, as a means of making their ſociety live in eaſe, by reciprocally contributing to the relief of each other's wants. Let us next examine ſome farther conſequences. We are now to caſt our eyes upon another view of this extenſive landſcape, where the perſonal advantages, immediately felt from this gentle band of mutual dependence, are not to fix our attention ſo much as the effects produced by induſtry upon the face of things, and manners of a people.

The better to tranſmit this idea, which I find a little dark, let me ſay, that hitherto we have treated our ſubject, according to the principles which ſhould direct a ſtateſman, to advance trade and induſtry, by engaging the rich to give bread to the poor. Now we are to examine the conſequences reſulting from the execution of this plan; and compare the difference between a country which has been inhabited by a people abundantly provided for without induſtry and labor, and one occupied by another who have ſubſiſted by theſe means; and farther, we are to examine induſtry as producing effects more or leſs hurtful to the ſimplicity of manners, and more or leſs permanent and beneficial, according as it has been directed towards different objects.

I can eaſily ſuppoſe a nation living in the greateſt ſimplicity, even going naked, but abundantly fed, either with the ſpontaneous fruits of the

earth, or by an agriculture proportioned to the wants of every one, and where very little alienation or exchange takes place. From this primitive life, as I may call it, the degrees of induſtry, like imperceptible ſhades, may be augmented; and the augmentation, as I apprehend, is to be meaſured, not ſo much by the degree of occupation which the inhabitants purſue, as by the quantity of permutation among them; becauſe I think permutation implies ſuperfluity of ſomething*.

* Our firſt parents, placed in Paradiſe, were fed from the hand of God, and freed by the conſtitution of their nature, from every uneaſy animal deſire. Since the fall, the whole human ſpecies have been employed in contriving and executing methods for relieving the wants which are the conſequences of ſuch deſires.

Hence I conclude, that had the fall never taken place, the purſuits of man would have been totally different from what they are at preſent. May I be allowed to ſuppoſe, that in ſuch a happy ſtate, he might have been endowed with a faculty of tranſmitting his moſt complex ideas with the ſame perſpicuity with which we now tranſmit thoſe relating to geometry, numbers, colors, &c. From this I infer, there would have been no difference of ſentiment, no diſpute, no competition between man and man. The progreſs in acquiring uſeful knowledge, the pleaſure of communicating diſcoveries, would alone have provided a fund of happineſs, as inexhauſtible as knowledge itſelf.

Mankind, therefore, ſet out upon a ſyſtem of living without labor, without induſtry, without wants, without dependence, without ſubordination; conſequently, had they remained in that ſtate, the lapſe of time would have produced no change upon any thing, but the ſtate of knowledge. Baniſhed from Paradiſe, man began to plow the ground, conſequently to change her ſurface: he built houſes, made

A people then lives in the utmoſt ſimplicity, when the earth is ſo far in common, as that none can acquire the property of it, but in virtue of his poſſeſſion as the means of ſubſiſtence; and when every one is employed in providing neceſſaries for himſelf, and for thoſe who belong to him. The moment any one has occaſion for the ſervice of another, independent of him, he muſt have an equivalent to give. This equivalent muſt be ſomething moveable, ſome fruit of the earth, pure or modified, ſuperfluous, not neceſſary, not the earth itſelf, becauſe this is the foundation of his ſubſiſtence; and he can never alienate what is eſſential to his being, in order to procure a ſuperfluity. From this we may deduce a principle that the alienation of conſumable commodities is a conſequence of ſuperfluity alone, as this again is the bane of ſimplicity. Conſequently, he who would carry ſimplicity to the utmoſt length, ought to proſcribe all alienation; conſequently, all dependence among men; conſequently, all ſubordination: every one

bridges, traced roads, and by degrees has come, in different ages, to pleaſe and gratify his inclinations, by numberleſs occupations and purſuits, conſtantly dictated to him by his wants; that is, by his imperfections, and by the deſires which they inſpire. When theſe are ſatisfied, his phyſical happineſs is carried as far as poſſible; but as mankind ſeldom remain in a ſtate of contentment, and that our nature conſtantly prompts us to add ſomething new to our former enjoyments, ſo it naturally happens, that ſocieties once eſtabliſhed, and living in peace, paſs from one degree of refinement to another, that is to ſay, man daily becomes more laborious.

ought to be entirely dependent upon his own labor, and nothing elſe.

Were man either reſtored to his primitive ſtate of innocence, or reduced to a ſtate of brutality; were his purſuits either purely ſpiritual or did they extend no farther than to the gratification of his animal deſires, and acquiſition of his phyſical neceſſary; ſuch an economy might be compatible with ſociety. But as we ſtand in a middle ſtate between the two, and have certain deſires which participate of the one and of the other, the gratification of which conſtitute what we have called our *political-neceſſary* (which we cannot procure to ourſelves, becauſe the very nature of it implies ſuperiority and ſubordination, as well as a mutual dependence among men) a total obſtruction to alienation becomes compatible with government, conſequently with human ſociety; and this being the caſe, all ſimplicity of manners is only relative. Our fathers looked upon the manners of their anceſtors as ſimple, theſe again admired the ſimplicity of the patriarchs; and perhaps the time may come, when the manners of the eighteenth century may be called the noble ſimplicity of the ancients.

As ſimplicity of manners is therefore relative, let us decide, that as long as ſuperfluity does more good in providing for the poor, than hurt in corrupting the rich; ſo far it is to be approved of and no farther.

Here it is urged, that ſince ſuperfluity is only good, ſo far as it provides ſubſiſtence for the poor, why may not the purſuits of induſtry be turned

towards objects which cannot corrupt the mind? Why, in place of fine clothes, elegant entertainments, magnificent furniture, carving, gildings, and embroidery, with all the ſplendor to be ſeen in palaces, gardens, operas, balls, and maſquerades, proceſſions, ſhows, horſe-races, and diverſions of every kind, why might not, I ſay, the multitudes which are employed in ſupplying theſe tranſitory gratifications of human weakneſs (not to call them by a worſe name) be employed in making highways, bridges, canals, fountains, fortifications, harbours, public buildings, and a thouſand other works, both uſeful to ſociety, and of good example to ſucceeding generations? Such employments are eternal monuments of grandeur, they are of laſting utility, and are no more to be compared to the trifling induſtry of our days, than an Egyptian pyramid is to be compared with the luxury of Cleopatra, or the *via appia* with the ſuppers of Heliogabalus. This was the taſte in the virtuous days of ancient ſimplicity: the greatneſs of a people appeared in the magnificence of uſeful works, and as virtue diſappeared, a luxury reſembling that of modern times took place. The aqueducts, common ſewers, temples, highways, and burying places were the ornaments of conſular Rome. The imperial grandeur of that city ſhone out in amphitheatres and baths; and the turpitude of manners (ſay the patrons of ſimplicity) which brought on the decline, ought to terrify thoſe who make the apology of modern luxury and diſſipation.

In order to ſet this queſtion in a clear light, and

to do juſtice both to the ancients and moderns, let us once more enter into an examination of circumſtances, and ſeek for effects in the cauſes which produce them. Theſe are uniform in all ages; and if manners are different, the difference muſt be accounted for, without overturning the principles of reaſon and common ſenſe.

QUEST. 7. In what manner, therefore, may a ſtateſman eſtabliſh induſtry, ſo as not to deſtroy ſimplicity, nor occaſion a ſudden revolution in the manners of his people, the great claſſes of which are ſuppoſed to live ſecure in eaſe and happineſs; and, at the ſame time, ſo as to provide every one with neceſſaries who may be in want?

The obſervations we are going to make will point out the anſwer to this queſtion: they will unfold ſtill farther the political economy of the ancients, and explain how manners remained ſo pure from vicious luxury, notwithſtanding the great and ſumptuous works carried on, which ſtrike us with ſo lofty an idea of their uſeful magnificence and noble ſimplicity. Theſe obſervations will alſo confirm the juſtneſs of a diſtinction made, in the firſt chapter of this book, between labor and induſtry; by ſhowing that *labor* may ever be procured, even by force, at the expenſe of furniſhing man with his phyſical neceſſary, from which no ſuperfluity can proceed: whereas induſtry cannot be eſtabliſhed, but by an adequate equivalent, proportioned, not to the abſolutely neceſſary, but to the reaſonable deſire of the induſtrious; which equivalent becomes afterwards the means of diffuſing a luxurious diſpoſition among all the claſſes of a people.

If a ſtateſman finds certain individuals in want, he muſt either feed them, in which caſe he may employ them as he thinks fit; or he muſt give them a piece of land, as the means of feeding themſelves. If he gives the land, he can require no equivalent for it, becauſe a perſon who has nothing can give nothing but his labor; and if he be obliged to labor for his food, he cannot purchaſe with labor the earth itſelf, which is the object of it. If it be aſked, whether aſtateſman does better to give the food, or to give the land? I hink it will appear very evident, that the firſt is the better courſe, becauſe he can then exact an equivalent; and ſince in either way the perſon is fed, the produce of his labor is always clear gain. But in order to give the food, he muſt have it to give; in which caſe, it muſt either be a ſurplus-produce of public lands, or a contribution from the people. In both which caſes, is implied a labor carried on beyond the perſonal wants of thoſe who labor the ground. If this fund be applied in giving bread to thoſe whom he employs in improving the ſoil of the country in general, it will have no immediate effect of deſtroying the ſimplicity of their manners; it will only extend the fund of their ſubſiſtence. If he employs them in making highways, aqueducts, common ſewers, bridges, and the like; it will extend the correſpondence between the different places of the country, and render living in cities more eaſy and agreeable: and theſe changes have an evident tendency towards deſtroying ſimplicity. But here let it be remarked, that the ſimplicity of individuals is not hurt by the induſtry carried on at the expenſe of the public.

public. The ſuperfluous food at the ſtateſman's diſpoſal, is given to people in neceſſity, who are employed in relieving *the wants of the public*, *not of private perſons*. But if, in conſequence of the roads made, any inhabitant ſhall incline to remove from place to place in a chariot, inſtead of riding on horſe-back, or walking, he muſt engage ſome body to make the machine: this is a farther extenſion to occupation, on the ſide of thoſe who labor; but the conſequence of the employment is very different, when conſidered with regard to the ſimplicity of manners. The reaſon is plain: the ingenuity here muſt be paid for; and this ſuperfluity in the hands of the workman is a fund for his becoming luxurious.

Induſtry deſtroys ſimplicity of manners in him who gives an equivalent for an article of ſuperfluity; and the equivalent given frequently gives riſe to a ſubordinate ſpecies of luxury in the workman. When induſtry therefore meets with encouragement from individuals, who give an equivalent in order to ſatisfy growing deſires, it is a proof that they are quitting the ſimplicity of their manners. In this caſe, the wants and deſires of mankind prove the mother of induſtry, which was the ſuppoſition in the firſt book; becauſe, in fact, the induſtry of Europe is owing to this cauſe alone.

But the induſtry of ancient times was very different, where the multitude of ſlaves ready to execute whatever was demanded, either by the ſtate or by their maſters, for the equivalent of ſimple maintenance only, prevented wealth from ever falling into the hands of induſtrious freemen; and he who has

no circulating equivalent to give for ſatisfying a deſire of ſuperfluity, muſt remain in his former ſimplicity. The labor therefore of thoſe days producing no circulation, could not corrupt the manners of the people; becauſe, remaining conſtantly poor, they never could increaſe their conſumption of ſuperfluity.

I muſt, in this place, inſert the authority of an ancient author, in order both to illuſtrate and to prove the juſtneſs of this repreſentation of the political economy of the ancients.

There remains a diſcourſe of Xenophon upon the improvement of the revenue of the ſtate of Athens. Concerning the authenticity of this work, I have not the ſmalleſt doubt. It is a *chef d'œuvre* of its kind, and from it more light is to be had, in relation to the ſubject we are here upon, than from any thing I have ever ſeen, ancient or modern.

From this ancient monument we learn the ſentiment of the author with regard to the proper employment of the three principal claſſes of the Athenian people, viz. the citizens, the ſtrangers, and the ſlaves. From the plan he lays down we plainly diſcover, that, in the ſtate of Athens, (more renowned than any other of antiquity for the arts of luxury and refinement) it never entered into the imagination of any politician to introduce induſtry even among the loweſt claſſes of the *citizens*; and Xenophon's plan was to reap all the benefits we at preſent enjoy from it, without producing any change upon the ſpirit of the Athenian people.

The ſtate at this time was in uſe to impoſe taxes upon their confederate cities, in order to maintain

their own common people, and Xenophon's intention in this diſcourſe was, not to lay down a plan to make them maintain themſelves by induſtry, but to improve the revenue of the ſtate in ſuch a manner as out of it to give every citizen a penſion of three oboli a day, or three pence three farthings of our money.

I ſhall not here go through every branch of his plan, nor point out the reſources he had fallen upon to form a ſufficient fund for that purpoſe; but he ſays, that in caſe of any deficiency in the domeſtic revenue of the ſtate, people from all quarters, Princes and ſtrangers of note, in all countries, would be proud of contributing towards it, for the honor of being recorded in the public monuments of Athens, and having their names tranſmitted to poſterity as benefactors to the ſtate in the execution of ſo grand a deſign.

In our days, ſuch an idea would appear ridiculous; in the days of Xenophon, it was perfectly rational. At that time great quantities of gold and ſilver were found locked up in the coffers of the rich: this was in a great meaſure uſeleſs to them, in the common courſe of life, and was the more eaſily parted with from a ſentiment of vanity or oſtentation.

In our days, the largeſt income is commonly found too ſmall for the current expenſe of the proprietor. From whence it happens, that preſents, great expenſe at funerals and marriages, godfathers gifts, &c. ſo very familiar among ourſelves in former times, are daily going out of faſhion. Theſe are extraordinary and unforeſeen expenſes which our anceſtors were fond of; becauſe they flattered their vanity, without diminiſhing the fund of their current expenſe: but as

now we have no full coffers to fly to, we find them exceſſively burdenſome, and endeavour to retrench them as ſoon as we can, not from frugality, God knows, but in conſequence of a change in our manners.

Beſides providing this daily penſion of three pence three farthings a day for every citizen of Athens, rich and poor, he propoſed to build, at the public charge, many trading veſſels, a great many inns and houſes of entertainment for all ſtrangers in the ſea ports, to erect ſhops, warehouſes, exchanges, &c. the rents of which would increaſe the revenue, and add great beauty and magnificence to the city. In ſhort, Xenophon recommends to the ſtate to perform, by the hands of their ſlaves and ſtrangers, what a free people in our days are conſtantly employed in doing in every country of induſtry. While the Athenian citizens continued to receive their daily penſions, proportioned to the value of their pure phyſical-neceſſary, their buſineſs being confined to their ſervice in the army in time of war, their attendance in public aſſemblies, and the theatres in times of peace, clothed like a parcel of capucins, they, as became freemen, were taught to deſpiſe induſtrious labor, and to glory in the auſterity and ſimplicity of their manners. The pomp and magnificence of the Perſian Emperors were a ſubject of ridicule in Greece, and a proof of their barbarity, and of the ſlavery of their ſubjects. From this plain repreſentation of Xenophon's plan, I hope, the characteriſtic difference between ancient and modern economy is manifeſt; and for ſuch readers as take a particular delight in comparing

the ſyſtems of ſimplicity and luxury, I recommend the peruſal of this moſt valuable diſcourſe.

Combining, therefore, all theſe circumſtances, and comparing them with the contraſt which is found as to every particular, in our times, I think it is but doing juſtice to the moderns, to allow, that the extenſive luxury which daily diffuſes itſelf through every claſs of a people, is more owing to the aboliſhing of ſlavery, the equal diſtribution of riches, and the circulation of an adequate equivalent for every ſervice, than to any greater corruption of our manners, than what prevailed among the ancients.

In order to have induſtry directed towards the object of public utility, the public, not individuals, muſt have the equivalent to give. Muſt not the employment be adapted to the taſte of him who purchaſes it? Now, in ancient times, moſt public works were performed either by ſlaves, or at the price of the pure phyſical-neceſſary of free men. We find the price of a pyramid, recorded to us by Herodotus, in the quantity of turnips, onions, and garlic, conſumed by the builders of it. Thoſe who made the *via appia*, I apprehend, were juſt as poor when it was finiſhed as the day it was begun; and this muſt always be the caſe, when the work requires no peculiar dexterity in the workmen. If, on the other hand, examples can be brought where workmen gained high wages, then the conſequences muſt have been the ſame as in our days.

So long, therefore, as induſtry is not directed to ſuch objects as require a particular addreſs, which, by the principles laid down in the twenty-firſt chapter, raiſe profits above the phyſical-neceſſary, the

induſtrious never can become rich; and if they are paid in money, this money muſt return into the hands of thoſe who feed them: and if no ſuperfluity be found any where, but in the hands of the ſtate, ſuch induſtry may conſume a ſurplus of ſubſiſtence, but never can draw one penny into circulation. This I apprehend to be a juſt application of our principles, to the ſtate of induſtry under the Roman republic, and that ſpecies of induſtry which we call *labor*. We are not therefore to aſcribe the taſte for employment in thoſe days to the virtue of the times. A man who had riches, and who ſpent them, ſpent them no doubt then, as at preſent, to gratify his deſires; and if the ſimplicity of the times furniſhed no aſſiſtance to his own invention, in diverſifying them, the conſequence was, that the money was not ſpent, but locked up. I have heard many a man ſay, had I ſo much money I ſhould know how to ſpend it. The thing is certainly true; for people do not commonly take it into their head to lay it out for the public.

No body, I believe, will deny that money is better employed in building a houſe, or in producing ſomething uſeful and permanent, than in providing articles of mere tranſitory ſuperfluity. But what principle of politics can influence the taſte of the proprietors of wealth? This being the caſe, a ſtateſman is brought to a dilemma; either to allow induſtry to run into a channel little beneficial to the ſtate, little permanent in its nature, or to deprive the poor of the advantage reſulting from it. May I not farther ſuggeſt, that a ſtateſman, who is at the head of a people,

whoſe taſte is directed towards a trifling ſpecies of expenſe, does very well to diminiſh the fund of their prodigality, by calling in, by means of taxes, a part of the circulating equivalent which they gave for it? When once he is enriched by theſe contributions, he comes to be in the ſame ſituation with ancient ſtateſmen, with this difference, that they had their ſlaves at their command, whom they fed and provided for; and that he has the free, for the ſake of an equivalent with which they feed and provide for themſelves. He then can ſet public works on foot, and inſpire, by his example, a taſte for induſtry of a more rational kind, which may advance the public good, and procure a laſting benefit to the nation.

I have ſaid above, that the acquiſition of money, by the ſale of induſtry to ſtrangers, or in return for conſumable commodities, was a way of augmenting the general worth of a nation. Now I ſay, that whoever can transform the moſt conſumable commodities of a country into the moſt durable and moſt beneficial works, makes a high improvement. If therefore meat and drink, which are of all things the moſt conſumable, can be turned into harbours, high roads, canals, and public buildings, is not the improvement inexpreſſible? This is in the power of every ſtateſman to accompliſh, who has ſubſiſtence at his diſpoſal; and beyond the power of all thoſe who have it not. There is no occaſion for money to improve a country. All the magnificent buildings which ornament Italy, are a much more proper repreſentation of a ſcanty ſubſiſtence, than of the gold and ſilver found in that country at the time they were executed. Let me

now conclude with a few miſcellaneous obſervations on what has been ſaid.

OBSER. 1. When I admire the magnificence and grandeur of public works in any country, ſuch as ſtupendous churches, amphitheatres, roads, dikes, canals; in a word, when I examine Holland, the greateſt work perhaps ever done by man, I am never ſtruck with the expenſe. I compare them with the numbers of men who have lived to perform them. When I ſee another country well inhabited, where no ſuch works appear, the contraſt ſuggeſts abundance of reflections.

As to the firſt, I conclude, that while theſe works were carried on, either ſlavery, or taxes muſt have been eſtabliſhed; becauſe it ſeldom happens, that a Prince will, out of his own patrimony, launch out into ſuch expenſes, purely to ſerve the public. Public works are carried on by the public; and for this purpoſe, either the perſons or purſes of individuals, muſt be at its command. The firſt I call ſlavery; that is ſervice: the ſecond taxes; that is public contributions in money or in neceſſaries.

OBSER. 2. I farther conclude, that nothing is to be gathered from thoſe works, which ſhould engage us to entertain a high opinion of the wealth, or other ſpecies of magnificence in the people who executed them. All that can be determined poſitively concerning their economy as to this particular, is, that at the time they were performed, agriculture muſt have been exerciſed as a trade, in order to furniſh a ſurplus ſufficient to maintain the workmen; or that ſubſiſtence muſt have come from abroad, either as a

return for other ſpecies of induſtry, or gratuitouſly, that is, by rapine, tribute, &c.

OBSER. 3. That the conſequence of ſuch works, is, to make meat, drink, and neceſſaries circulate, from the hands of thoſe who have a ſuperfluity of them, into thoſe who are employed to labor; or to oblige thoſe who formerly worked for themſelves only, to work alſo in part for others. To execute this, there muſt be a ſubordination: for who will increaſe his labor, voluntarily, in order to feed people who do not work for him, but for the public? This combination was neglected throughout the firſt book; becauſe we there left mankind at liberty to follow the bent of their inclinations. This was neceſſary to give a right idea of the ſubject we then intended to treat, and to point out the different effects of ſlavery and liberty; but now, that we have formed trading nations, and riveted a multitude of reciprocal dependencies, which tie the members together, there is leſs danger of introducing reſtraints; becauſe the advantages which people find, from a well ordered ſociety, make them put up the better with the inconveniencies of ſupporting and improving it. It is an univerſal principle, that inſtruction muſt be given with gentleneſs. A young horſe is to be careſſed when the ſaddle is firſt put upon his back: any thing that appears harſh, let it be ever ſo uſeful or neceſſary, muſt be ſuſpended in the beginning, in order to captivate the inclination of the creature which we incline to inſtruct.

OBSER. 4. When a ſtateſman knows the extent and quality of the territory of his country, ſo as

to be able to eſtimate what numbers it may feed; he may lay down his plan of political economy, and chalk out a diſtribution of inhabitants, as if the number were already compleat. It will depend upon his judgment alone, and upon the combination of circumſtances, foreign and domeſtic, to diſtribute, and to employ the claſſes, at every period during this execution, in the beſt manner to advance agriculture, ſo as to bring all the lands to a thorough cultivation. A ruling principle here, is, to keep the huſbandmen cloſely employed, that their ſurplus may be carried as high as poſſible; becauſe this ſurplus is the main ſpring of all alienation and induſtry. The next thing is to make this ſurplus circulate; no man muſt eat of it for nothing. What a prodigious difference does a perſon find, when he conſiders two countries, equally great, equally fertile, equally cultivated, equally peopled, the one under the economy here repreſented; the other, where every one is employed in feeding and providing for himſelf only.

A ſtateſman, therefore, under ſuch circumſtances, ſhould reaſon thus: I have a country which maintains a million of inhabitants, I ſuppoſe, and which is capable of maintaining as many more; I find every one employed in providing for himſelf, and conſidering the ſimplicity of their manners, a far leſs number will be ſufficient to do all the work: the conſequence is, that many are almoſt idle, while others, who have many children, are ſtarving. Let me call my people together, and ſhow them the inconvenience of having no roads. He

propoſes that every one who chuſes to work at thoſe ſhall be fed and taken care of by the community, and his lands diſtributed to thoſe who incline to take them. The advantage is felt, the people are engaged to work a little harder, ſo as to overtake the cultivations of the portions of thoſe who have abandoned them. Upon this revolution, labor is increaſed, the ſoil continues cultivated as before, and the additional labor of the farmers appears in a fine high road. Is this any more than a method to engage one part of a people to labor, in order to maintain another?

OBSER. 5. Here I aſk, whether it be not better to feed a man, in order to make him labor and be uſeful, than to feed him in order to make him live and digeſt his victuals? This laſt was the caſe of multitudes during the ages of ancient ſlavery, as well as the conſequence of ill directed modern charity. One and the other being equally well calculated for producing a ſimplicity of manners: and Horace has painted it to the life, when he ſays,

Nos numerus ſumus, & fruges conſumere nati.

This I have heard humorouſly tranſlated, though naſtily I confeſs; We add to the number of t—d-mills. A very juſt repreſentation of many of the human ſpecies! to their ſhame be it ſpoken, as it equally caſts a reflection on religion and on government.

Conſiſtently with theſe principles, we find no great or public work carried on in countries of great liberty. Nothing of that kind is to be ſeen among the Tartars, or hunting Indians. Theſe I

call free nations, but not our European republics, where I have found juſt as much ſubordination and conſtraint as any where elſe.

I have, on ſeveral occaſions, let drop ſome expreſſions with regard to charity, which I am ſenſible might be miſinterpreted. It will therefore be proper to make ſome apology, which no body can ſuſpect of inſincerity; becauſe my reaſon for introducing it, is with a view to a farther illuſtration of my ſubject.

When I ſee a rich and magnificent monaſtery of begging friars, adorned with profuſion of ſculpture, a ſtupendous pile of building, ſtately towers, incruſtations of marble, beautiful pavements; when I compare the execution and the expenſe of all theſe, with the faculties of a perſon of the largeſt fortune, I find there is no proportion between what the beggars have executed with the produce of private charities, and what any Lord has done with his overgrown eſtate. Nay monaſteries there are which; had they been executed by Princes, would have been cited by hiſtorians, from generation to generation, as eternal monuments of the greateſt prodigality and diſſipation. Here then is an effect of charity, which I have heard condemned by many, and I think without much reaſon. What proſtitution of riches! ſay they: how uſefully might all this money have been employed, in eſtabliſhing manufactures, building a navy, and in many other good purpoſes? Whereas I am ſo entirely taken up with the effects ariſing from the execution of the work, that I ſeldom give myſelf time to reflect

upon its intention. The building of this monaſtery has fed the induſtrious poor, has encouraged the liberal arts, has improved the taſte of the inhabitants, has opened the door to the curioſity of ſtrangers: and when I examine my purſe, I find that in place of having contributed to the building of it from a charitable diſpoſition, my curioſity to ſee it has obliged me to contribute my proportion of the expenſe. I ſpend my money in that country, and ſo do other ſtrangers, without bringing away any thing for it. No balance of trade is clearer than this. The miraculous tongue of St. Anthony of Padua, has brought more clear money into that city than the induſtry of a thouſand weavers could have done: the charity given is not to the monks, but to the poor whom they employ. If young wits, therefore, make a jeſt of ſuch a devotion; I aſk, who ought to be laughed at, thoſe who give, or thoſe who receive money for the ſhow?

In a country where ſuch works are uſually carried on, they ceaſe in a great meaſure to be uſeful, whenever they are finiſhed; and a new one ſhould be ſet on foot directly, or what will become of thoſe who are without work? It muſt not be concluded from this, that the uſefulneſs of public works is not a principal conſideration. The more a work is uſeful after it is done, ſo much the better; becauſe it may then have the effect of giving bread to thoſe who have not built it. But whether uſeful or not afterwards, it muſt be uſeful while it is going on; and many, who with pleaſure will give a thouſand pounds to adorn a church, would not give a ſhilling to built Weſtminſter-

bridge, or the port of Rochefort; and the poor live equally by the execution of either. Expenſive public works, are therefore a means of giving bread to the poor, of advancing induſtry, without hurting the ſimplicity of manners; which is an anſwer to the ſeventh queſtion.

Obser. 6. Great works found in one country, and none found in another, is no proof that the firſt have ſurpaſſed the ſecond in labor and induſtry: the contraſt only marks the different diviſion of property, or taſte of expenſe. Every undertaking marks a particular intereſt. Palaces are a repreſentation of rich individuals; ſnug boxes, in the neighbourhood of cities, repreſent ſmall but eaſy fortunes; huts point out poverty; aqueducts, highways, &c. teſtify an opulent common good: and if theſe be found in a country where no veſtige of private expenſe appears, I then muſt conclude, they have been executed by ſlaves, or by oppreſſion; otherwiſe ſomebody, at leaſt, would have gained by the execution; and his gains would appear in one ſpecies of expenſe or another.

Obser. 7. In countries where fortunes have been unequally divided, where there have been few rich and many poor, it is common to find laſting monuments of labor; becauſe great fortunes only are capable of producing them. As a proof of this let us compare the caſtles of ancient times (I mean four or five hundred years ago) with the houſes built of late. At that time fortunes were much more unequal than at preſent, and accordingly we find the habitations of the great in moſt countries not numerous, but of an extraordinary bulk and ſolidity. Now a building is

never to be judged of by the money it coſt, but by the labor it required. From the houſes in a country I judge of the opulence of the great, and of the proportion of fortunes among the inhabitants. The taſte in which theſe old caſtles are built, marks the power of thoſe who built them, and, as their numbers are ſmall, we may judge, from the nature of man, who loves imitation, that the only reaſon for it was, that there were few in a condition to build them. Why do we find in modern times a far leſs diſproportion between the conveniency with which every body is lodged, than formerly; but only becauſe riches are more equally divided, from the operations of induſtry above-deſcribed.

OBSER. 8. From this we may gather, that laſting monuments are no adequate meaſure of the induſtry of a country. The expenſe of a modern prince, in a ſplendid court, numerous armies, frequent journeys, magnificent banquets, operas, maſquerades, tournaments, and ſhows, may give employment and bread to as many hands, as the taſte of him who built the pyramid; and the ſmoke of the gun-powder at his reviews, of the flambeaus and wax lights at his entertainments, may be of as great uſe to poſterity, as the ſhadow of the pyramid, which is the only viſible effect produced by it; but the one remains for ever, the other leaves no veſtige behind it. The very remaining of the work, however uſeleſs in itſelf, becomes uſeful, in ſo far as it is ornamental, inſpires noble ſentiments of emulation to ſucceeding princes, the effects of which will ſtill be productive of the good conſequences of keeping people employed.

The expenſe of the other flatters the ſenſes, and gives delight: there is no queſtion of choice here. All uſeleſs expenſe gratifies vanity only; accident alone makes one ſpecies permanent, another tranſitory.

Thoſe who have money may be *engaged* to part with it in favor of the poor, but never forced to part with it, to the prejudice of their poſterity. Inſpire, if you can, a good and uſeful taſte of expenſe; nothing ſo right; but never check the diſſipation of ready money, with a view to preſerve private fortunes. Leave ſuch precautions to the prudence of every individual. Every man, no doubt, has as good a right to perpetuate and provide for his own poſterity, as a ſtate has to perpetuate the welfare of the whole community; it is the combination of every private intereſt which forms the common weal. From this I conclude, that, without the ſtrongeſt reaſons to the contrary, perpetual ſubſtitutions of property ſhould be left as free to thoſe who poſſeſs lands, as locking up in cheſts ſhould be permitted to thoſe who have much money.

QUEST. 8. What are the principles which influence the eſtabliſhment of mercantile companies; and what effects do theſe produce upon the intereſts of trade?

There is a cloſe connexion between the principles elating to companies, and thoſe we have examined in the twenty-third chapter, concerning corporations. The one and the other have excellent conſequences, and both are equally liable to abuſe. A right examination of principles is the beſt method to advance the firſt, and to prevent the latter.

The

The advantages of companies are chiefly two.

1. That by uniting the *ſtocks* of ſeveral merchants together, an enterpriſe far beyond the force of any one, becomes practicable to the community.

2. That by uniting the *intereſts* of ſeveral merchants, who direct their *foreign* commerce towards the ſame object, the competition between them *abroad* is taken away; and whatever is thus gained, is ſo much clear profit, not only to the company, but to the ſociety of which they are members.

It is in conſideration of the laſt circumſtance, that companies for foreign commerce have a claim to extenſive privileges. But no encouragement given to ſuch aſſociations ſhould be carried farther than the public good neceſſarily requires it ſhould be. The public may reward the ingenuity, induſtry and inventions of particular members, and ſupport a private undertaking as far as is reaſonable; but every encouragement given, ought to be at the expenſe of the whole community, not at that of particular denominations of inhabitants.

The diſadvantages proceeding from companies are eaſily to be gueſſed at, from the very nature of the advantages we have been ſetting forth: and the relation between the one and the other will point out the remedies.

1. The weight of money in the hands of companies, and the public encouragement given them, cruſh the efforts of private adventurers, while their ſucceſs inſpires emulation, and a deſire in every individual to carry on a trade equally profitable.

Here a ſtateſman ought nicely to examine the

advantages which the company reaps from the incorporation of their ſtock, and thoſe which proceed from the public encouragement given to the undertaking; that with an impartial hand, he may make an equal diſtribution of public benefits. And when he finds it impoſſible to contribute to the advancement of the public good, by communicating the privileges of companies to private adventurers, he ought to facilitate the admittance of every perſon properly qualified into ſuch aſſociations.

2. The ſecond diſadvantage of companies, is, a concomitant of that benefit ſo ſenſibly felt by the ſtate, from the union of their intereſt, while they purchaſe in foreign markets: the ſame union which, at the time of buying, ſecures the company from all competitions, proves equally diſadvantageous to thoſe who purchaſe from them at home. They are maſters of their price, and can regulate their profits by the *height* of demand; whereas they ought to keep them conſtantly proportioned to the real value of the merchandize.

The advantages reſulting from the union of many private ſtocks is common to all companies; but thoſe we have mentioned to proceed from the union of their intereſt, is peculiar to thoſe who carry on an excluſive trade in certain diſtant parts of the world. We have, in a former chapter, laid down the maxims which influence the conduct of a ſtateſman in regulating the prices of merchandize, by watching over the balance of work and demand, and by preſerving the principles of competition in their full activity. But here a caſe preſents itſelf,

where, upon one ſide of the contract, competition can have no effect, and where its introduction, by deſtroying the excluſive privilege of the company to trade in certain countries, is forbid for the ſake of the public good.

What method, therefore, can be fallen upon to preſerve the advantage which the nation reaps from the company's buying in foreign parts without being expoſed to competition; and at the ſame time to prevent the diſadvantage to which the individuals of the ſociety are expoſed at home, when they endeavour, in competition with one another, to purchaſe from a company, who, in virtue of the ſame excluſive privilege, are united in their intereſt, and become maſters to demand what price they think fit.

It may be anſwered, that it cannot be ſaid of companies as of private dealers, that they profit of every little circumſtance of competition, to raiſe their price. Thoſe have a fixed ſtandard, and all the world buys from them at the ſame rate; ſo that retailers, who ſupply the conſumption, have in one reſpect this notable advantage, that all buying at the ſame price, no one can underſell another; and the competition between them ſecures the public from exorbitant prices.

I agree that theſe advantages are felt, and that they are real; but ſtill they prove no more than that the eſtabliſhment of companies is not ſo hurtful to the intereſt of thoſe who conſume their goods, as it would be, could they profit to the utmoſt of their excluſive privilege in ſelling by retail. But it does not follow from this, that the profits upon ſuch a

trade do not riſe (in conſequence of their privilege) above the ſtandard proper for making the whole commerce of a nation flouriſh. The very jealouſy and diſſatisfaction, conceived by other merchants, equally induſtrious and equally well deſerving of the public, becauſe of the great advantages enjoyed by thoſe incorporated, under the protection of excluſive privileges, is a hurt to trade in general, is contrary to that principle of impartiality which ſhould animate a good ſtateſman, and ſhould be prevented if poſſible. Let us therefore go to the bottom of this affair; and, by tracing the progreſs of ſuch mercantile undertakings, as are proper objects for the foundation of companies, and which entitle them to demand and to obtain certain excluſive privileges, let us endeavour to find out a method by which a ſtateſman may eſtabliſh ſuch ſocieties, ſo as to have it in his power to lay their inland ſales under certain regulations, capable to ſupply the want of competition; and to prevent the profits of excluſive trade from riſing, conſiderably, above the level of *that* which is carried on without any ſuch aſſiſtance from the public.

While the intereſt of companies is in few hands, the union of the members is more intimate, and their affairs are carried on with more ſecrecy. This is always the caſe in the infancy of ſuch undertakings. But the want of experience frequently occaſions conſiderable loſſes; and while this continues to be the caſe, no complaints are heard againſt ſuch aſſociations. Few pretend to rival their undertaking, and it becomes at firſt more commonly the

object of raillery than of jealouſy. During this period, the ſtateſman ſhould lay the foundation of his authority; he ought to ſpare no pains nor encouragement to ſupport the undertaking; he ought to inquire into the capacity of thoſe at the head of it; order their projects to be laid before him; and when he finds them reaſonable, and well planned, he ought to take unforeſeen loſſes upon himſelf: he is working for the public, not for the company; and the more care and expenſe he is at in ſetting the undertaking on foot, the more he has a right to direct the proſecution of it towards the general good. This kind of aſſiſtance given, entitles him to the inſpection of their books; and from this, more than any thing, he will come at an exact knowledge of every circumſtance relating to their trade. By this method of proceeding, there will be no complaints on the ſide of the adventurers, they will engage with chearfulneſs, being made certain of the public aſſiſtance, in every reaſonable undertaking; their ſtock becomes in a manner inſured, individuals are encouraged to give them credit, and from creditors they will naturally become aſſociates in the undertaking. So ſoon as the project comes to ſuch a bearing as to draw jealouſy, the bottom may be enlarged by opening the doors to new aſſociates, in place of permitting the original proprietors to augment their ſtock with borrowed money; and thus the fund of the company may be increaſed in proportion to the employment found for it, and every one will be ſatisfied.

When things are conducted in this way, the

authority of public inſpection is no curb upon trade; the individuals who ſerve the company are cut off from the poſſibility of defrauding: no myſteries, no ſecrets, from which abuſes ariſe, will be encouraged; trade will become honorable and ſecure, not fraudulent and precarious; becauſe it will grow under the inſpection of its protector, who only protects it for the public good.

Why do companies demand excluſive privileges, and why are they ever granted, but as a recompence to thoſe who have been at great expenſe in acquiring a knowledge which has coſt nothing to the ſtate? And why do they exert their utmoſt efforts to conceal the ſecrets of their trade, and to be the only ſharers in the profits of it, but to make the public refund tenfold the expenſe of their undertaking?

When companies are once firmly eſtabliſhed, the next care of a ſtateſman, is, to prevent the profits of their trade from riſing above a certain ſtandard. We ſpeak at preſent of thoſe only, who, by excluſive privileges, are expoſed to no competition at their ſales. One very good method to keep down prices, is, to lay companies under a neceſſity of increaſing their ſtock as their trade can bear it, by the admiſſion of new aſſociates; for by increaſing the company's ſtock, you increaſe, I ſuppoſe, the quantity of goods they diſpoſe of, and conſequently diminiſh the competition of thoſe who demand of them: but as even this will not have the effect of reducing prices to the adequate value of the merchandize (a thing only to be done by competition)

the ſtateſman himſelf may interpoſe an extraordinary operation. He may ſupport high profits to the company, upon all articles of luxury conſumed at home, in favor of keeping down the prices of ſuch goods as are either for exportation or manufacture.

This can only be done when he has companies to deal with: in every other caſe, the principles of competition between different merchants, trading in the ſame goods, upon ſeparate intereſts, makes the thing impoſſible. But where the intereſts of the ſellers, which are the company, are united, and where there is no competition, they are maſters of their price, according to the principles laid down in the ſeventh chapter. Now, provided the dividend upon the whole ſtock be a ſufficient recompence both for the value of the fund, and the induſtry of thoſe who are employed to turn it to account, the end is accompliſhed. Extraordinary profits upon any particular ſpecies of trade caſt a diſcouragement upon all others.

We very frequently ſee that great trading companies become the means of eſtabliſhing public credit; on which occaſions, it is proper to diſtinguiſh between the trading ſtock of the company, which remains in their poſſeſſion, and the actions, bonds, annuities, contracts, &c. which carry their name, and which have nothing but the name in common. The price of the firſt is conſtantly regulated by the profits upon the trade; the price of the other, by the current value of money.

Let me next obſerve the advantage which might reſult to a nation, from a prudent interpoſition of

the ſtateſman, in the regulation of a tariff of prices for ſuch goods as are put to ſale without any competition on the ſide of the ſellers.

The principles we have laid down, direct us to proſcribe, as much as poſſible, all foreign conſumption, eſpecially that of work; and to encourage as much as poſſible the exportation of it. Now, if what the India company of England, for example, ſells to ſtrangers, and exports for a return in money, is equal to the money ſhe herſelf has formerly exported, the balance upon the India trade will ſtand even. But if the competition of the French and Dutch is found hurtful to the Engliſh company in her outward ſales, may not the government of that nation lend a hand towards raiſing the profits of the company, upon tea, china, and japan wares, which are articles of ſuperfluity conſumed by the rich, in order to enable the company to afford her ſilk and cotton ſtuffs to ſtrangers, at a more reaſonable rate? Theſe operations, I ſay, are practicable, where a company ſells without competition, but are never to be undertaken, but when the ſtate of its affairs are perfectly well known; becauſe the prices of exportable goods might, perhaps, be kept up by abuſe and miſmanagement, and not by the ſuperior advantages which other nations have in carrying on a like commerce. The only remedy againſt abuſe is reformation. But how often do we ſee a people laid under contribution in order to ſupport that evil!

Companies, we have ſaid, owe their beginning to the difficulties to which an infant commerce is expoſed; theſe difficulties once ſurmounted, and

the company eſtabliſhed upon a ſolid foundation, new objects of profit preſent themſelves daily; ſo much, that the original inſtitution is frequently eclipſed, by the acceſſary intereſts of the ſociety. It is therefore the buſineſs of a ſtateſman to take care that the excluſive privileges granted to a ſociety, for a certain purpoſe, be not extended to other intereſts, nowiſe relative to that which ſet the ſociety on foot, and gave it a name. And when excluſive privileges are given, a ſtateſman ſhould never fail to ſtipulate for himſelf, a particular privilege of inſpection into all the affairs of the company, in order to be able to take meaſures which effectually prevent bad conſequences to the general intereſt of the nation, or to that of particular claſſes.

Let this ſuffice at preſent, as to the privileges enjoyed by companies in foreign trade. Let me now examine the nature of ſuch ſocieties in general, in order to diſcover their influence on the mercantile intereſts of a nation, and how they tend to bring every branch of trade to perfection, when they are eſtabliſhed and carried on under the eye of a wiſe adminiſtraſtion.

Beſides the advantages and diſadvantages above mentioned, there are others found to follow the eſtabliſhment of trading companies. The firſt proceed from *union*, that is, a common intereſt: the laſt from *diſunion*, that is, from ſeparate intereſts.

A common intereſt unites, and a ſeparate intereſt diſunites the members of every ſociety; and did not the firſt preponderate among mankind, there would be no ſociety at all. Thoſe of the ſame

nation may have a common intereſt relative to foreigners, and a ſeparate intereſt relative to one another; thoſe of the ſame profeſſion may have a common intereſt relative to the object of their induſtry, and a ſeparate intereſt relative to the carrying it on: the members of the ſame mercantile company may have the ſame intereſt in the dividend, and a ſeparate intereſt in the adminiſtration of the fund which produces it. The children of the ſame family, nay even a man and his wife, though tied by the bonds of a common intereſt, may be disjoined by the effects of a ſeparate one. Mankind are like loadſtones, they draw by one pole, and repel by another. And a ſtateſman, in order to cement his ſociety, ſhould know how to engage every one, as far as poſſible, to turn his attracting pole towards the particular centre of common good.

From this emblematical repreſentation of human ſociety, I infer, that it is dangerous to the common intereſt, to permit too cloſe an union between the members of any ſubaltern ſociety. When the members of theſe are bound together, as it were by every articulation, they in ſome meaſure become independent of the great body; when the union is leſs intimate, they admit of other connexions, which cement them to the general maſs *.

* This was writ before the ſociety of Jeſuits was ſuppreſſed in France.

Companies ought to be permitted, conſiſtently with theſe principles. Their mercantile intereſts alone ought to be united, in ſo far as union is required to carry on their undertaking with reaſonable profits; but beyond this, every ſubaltern advantage by which the aſſociates might profit, in conſequence of their union, ought to be cut off; and the public ſhould take care to ſupport the intereſt of any private perſon againſt them, on all occaſions, where they take advantage of their union to hurt the right of individuals. Let me illuſtrate this by an example. Several weavers, fiſhermen, or thoſe of any other claſs of the induſtrious, unite their ſtocks, in order to overcome thoſe difficulties to which ſingle workmen are expoſed, from a multiplication of expenſes, which might be ſaved by their aſſociation. This company makes a great demand for the materials neceſſary for carrying on their buſineſs. By this demand they attach to themſelves a great many of the induſtrious not incorporated, who thereby get bread and employment. So far theſe find an advantage: but in proportion as the undertaking is extended, and the ſociety becomes able to engroſs the whole, or a conſiderable part of ſuch a manufacture, they deſtroy their competitors; and by forming a ſingle intereſt, in the purchaſe of the materials requiſite, and in the ſale of their manufactures, they profit in the firſt caſe, by reducing the gains of their ſubaltern aſſiſtants below the proper ſtandard; and in the ſecond, they raiſe their own profits too far above what is neceſſary.

The method, therefore, to prevent ſuch abuſes;

is, for a ſtateſman to interpoſe; not by reſtraining the operations of the company, but by oppoſing the force of principles ſimilar to thoſe by which they profit, in ſuch a manner as to render their unjuſt dealings ineffectual. If the weavers oppreſs the ſpinners, for inſtance, methods may be fallen upon, if not by incorporating the laſt, at leaſt by uniting their intereſts, ſo as to prevent a hurtful competition among them. He may diſcourage too extenſive companies, by eſtabliſhing and ſupporting others, which may ſerve to preſerve competition; and he may puniſh, ſeverely, every tranſgreſſion of the laws, tending to eſtabliſh an arbitrary dependence on the company. In ſhort, while ſuch ſocieties are forming, he ought to be their protector; and when they are formed, he ought to take thoſe whom they might be apt to oppreſs under his protection.

In eſtabliſhing companies for manufactures, it is a good expedient to employ, in ſuch undertakings, none but thoſe who have been bred to the different branches of their buſineſs. When people of fortune, ignorant and projecting, intereſt themſelves in infant manufactures, with a view to become ſuddenly rich, they are ſo bent upon making vaſt profits, proportioned to their ſtock, that their hopes are generally diſappointed, and the undertaking fails. Pains-taking people, bred to frugality, content themſelves with ſmaller gains; but under the public protection, theſe will ſwell into a large ſum, and the accumulation of ſmall profits will form a new claſs of opulent people, who adopt, or rather retain the ſentiments of frugality with which they were born.

Thus, for inſtance, in eſtabliſhing fiſheries, in place of private ſubſcriptions from thoſe who put in their money from public ſpirit, and partly with a view to draw an intereſt for it; or from thoſe who are allured by the hopes of being great gainers in the end, (the laſt I call projectors) the public ſhould be at the great expenſe requiſite; and coopers, ſail-makers, rope-makers, ſhip-carpenters, net-makers; in ſhort, every one uſeful to the undertaking, ſhould be gratuitouſly taken in for a ſmall ſhare of the profits; and by their being lodged together in a building, or town, proper for carrying it on, every workman becomes an undertaker to the company, for the articles of his own work. No man concerned directly in the enterpriſe, ſhould reſide elſewhere than in the place: any one of the aſſociates may undertake to furniſh what cannot be manufactured at home at fixed prices. Thus the whole expenſe of the public in the ſupport of the undertaking, may circulate through the hands of thoſe who carry it on; and every one becomes a check upon another, for the ſake of the dividend upon the general profits. One great advantage in carrying on undertakings in this manner, is, that although thoſe concerned draw no profit at all upon the undertaking itſelf, they find their account in it, upon the ſeveral branches of their own induſtry. The herring trade was at firſt ſet on foot in Holland by a company of merchants, who failed; and their ſtock of buſſes, ſtores, &c. being ſold at an under-value, were bought by private people, who had been inſtructed (at the expenſe of the company's miſcarriage)

in every part of the trade, and who carried it on with ſucceſs. Had the company been ſet up at firſt in the manner here mentioned, their trade would never have ſuffered any check.

CHAP. XXXI.

Recapitulation of the Second Book.

HAVING paved the way in the firſt book, for a particular inquiry into the principles of modern political economy; in the introduction to this, I ſhow that the ruling principle of the ſcience, in all ages, has been to proceed upon the ſuppoſition that every one will act, in what regards the public, from a motive of private intereſt; and that the only public ſpirited ſentiment any ſtateſman has a right to exact of his ſubjects, is their ſtrict obedience to the laws. The union of every private intereſt makes the common good: this it is the duty of a ſtateſman to promote; this conſequently ought to be the motive of all his actions; becauſe the goodneſs of an action depends on the conformity between the motive and the duty of the agent. We can, therefore, no more ſubject the actions of a ſtateſman to the laws of private morality, than we can judge of the diſpenſations of providence by what *we* think right and wrong *.

* From the want of attending duly to this diſtinction, ſome have been led into the blaſphemy of imputing evil to the Supreme Being. There is no ſuch thing as evil in the

CHAP. I. In treating the principles of any ſcience, many things muſt be blended together, at firſt, which in themſelves are very different. In the firſt book I conſidered multiplication and agriculture as the ſame ſubject; in the ſecond, trade and induſtry are repreſented as mutually depending on one another. To point out this relation, I give a definition of the one and the other, by which it appears, that to conſtitute trade, there muſt be a conſumer, a manufacturer, and a merchant. To conſtitute their induſtry, there muſt be freedom in the induſtrious. His motive to work muſt be in order to procure for himſelf, by the means of trade, an equivalent, with which he may purchaſe every neceſſary, and remain with ſomething over, as the reward of his

univerſe; all is good, all is abſolutely perfect. The moſt flagitious actions tend to univerſal good: even theſe, in one reſpect, may be called the actions of God, as all that is done is done by him; but with reſpect to the *motive* which God had in doing them, it is pure in the moſt ſublime degree; the action is impious and wicked, with reſpect only to the agent; and his wickedneſs does not proceed from the action itſelf, but from the want of conformity between his duty and his motive in acting. Now if the puniſhment of ſuch a tranſgreſſion (which is alſo conſidered as the action of the Supreme Being) enters into the ſyſtem of general good, is it not a monſtrous folly to call it unjuſt? We know the duties of man, we know the duties of governors, but we know not the duties of God, if we may be allowed to make uſe of ſo very improper an expreſſion, and it is for this reaſon only, that we cannot judge of the goodneſs of his providence. We muſt therefore take it for granted; and this is one object of what divines call *faith*, the belief of things not ſeen, when the disbelief of them would imply an abſurdity.

diligence. Conſequently, induſtry differs from labor, which may be forced, and which draws no other recompence, commonly, than bare ſubſiſtence. Here I take occaſion to ſhow the hurtful effects of ſlavery on the progreſs of induſtry; from which I conclude, that its progreſs was in a great meaſure prevented by the ſubordination of claſſes under the feudal government; and that the diſſolution of that ſyſtem eſtabliſhed it. Whether trade be the cauſe of induſtry, or induſtry the cauſe of trade, is a queſtion of little importance, but the principle upon which both depend is a taſte for ſuperfluity in thoſe who have an equivalent to give; this taſte is what produces *demand*, and this again is the main ſpring of the whole operation.

Chap. II. We have ſubſtituted throughout this book, the term *demand*, to expreſs the idea we conveyed in the laſt by that of *wants*; and ſince the ſubject becomes more complex, and that we have many more relations to take in, I muſt make a recapitulation of all the different acceptations of this term *demand*.

Demand, in the firſt place, is always relative to *merchandize*; it is the buyer who demands; the ſeller offers to ſale. 2. It is ſaid to be *reciprocal*, when there is a double operation, that is, when the ſeller in the firſt, becomes the buyer in the ſecond caſe; and then, taking the two operations in one view, we call thoſe *demanders* who have paid the higheſt price. 3. Demand is *ſimple*, or *compound*; *ſimple*, when there is no competition among the buyers; *compound*, when there is. 4. It is *great* or *ſmall*, according to the *quantity* demanded.

demanded. And 5. *high* or *low*, according to the *price* offered. The nature of a *gradual* increaſe of demand, is to encourage induſtry, by augmenting the ſupply; that of a *ſudden* increaſe, is to make prices riſe. This principle has not every where the ſame efficacy in producing theſe varieties: it is checked in its operations between merchants, who ſeek their profit; and it is accelerated among private people, who ſeek for ſubſiſtence, neceſſaries, or luxurious gratifications.

CHAP. III. I come next to deduce the origin of trade and induſtry, which I diſcover from the principles of the firſt book, where bartering of neceſſaries was underſtood to be trade; and I find that the progreſs of this is owing to the progreſs of multiplication and agriculture. When a people arrive at a moral impoſſibility of increaſing in numbers, there is a ſtop put to the progreſs of barter. This grows into trade, by the introduction of a new want (money) which is the univerſal object of deſire to all men. While the deſires of man are regulated by their phyſical wants, they are circumſcribed within certain limits. So ſoon as they form to themſelves others of a political nature, then all bounds are broken down. The difficulty of adapting wants to wants, naturally introduces money, which is an adequate equivalent for every thing. This conſtitutes ſale, which is a refinement on barter. Trade is only a ſtep farther; it is a double ſale, the merchant buys, not for himſelf, but for others. A merchant is a machine of a complex nature. Do you want, he ſupplies you; have you any ſuperfluities, he relieves you of them; do you want ſome

of the univerſal equivalent money, he gives it you, by creating in you a credit in proportion to your circumſtances. The introduction of ſo uſeful a machine, prompts every one to wiſh for the power of uſing it; and this is the reaſon why mankind extend their labor beyond the mere ſupply of their phyſical wants.

Trade therefore abridges the tedious operations of ſale and barter, and brings to light many things highly important for individuals, who live by relieving the wants of others, to know. It marks the ſtandard of *demand*, which is, in a manner, the voice of the ſtateſman, conducting the operations of induſtry towards the relief of wants; and directing the circulation of ſubſiſtence towards the habitations of the neceſſitous.

CHAP. IV. The conſequence of this, is to determine the value of commodities, and to mark the difference between *prime coſt* and *ſelling prices*. The firſt depends upon the time employed, the expenſe of the workman, and the value of the materials. The ſecond is the ſum of theſe, added to the profit upon alienation. It is of conſequence to diſtinguiſh exactly between theſe two conſtituent parts of price, the coſt and the profit: the firſt is invariable after the firſt determination, but the ſecond is conſtantly increaſing, either from delay in ſelling off, or by the multiplicity of alienations; and the more exactly every circumſtance with regard to the whole analyſis of manufactures is examined, the eaſier it is for a ſtateſman to correct every vice or abuſe which tends to carry prices beyond the proper ſtandard.

CHAP. V. Nothing tends to introduce an advantageous foreign trade more than low and determined prices. In the firſt place, it draws ſtrangers to market. This we call *paſſive commerce.* Secondly, it gives merchants an opportunity to diſtribute the productions of their country with greater advantage among other nations, which is what we call *active foreign trade.* In this chapter, I trace the effects of the laſt ſpecies. I ſhow how merchants profit at firſt of the ignorance of their correſpondents; how they engage them to become luxurious; how the competition between themſelves, when profits are high, make them betray one another; and how the moſt ignorant ſavages are taught to take advantage of the diſcovery; how this intercourſe tends to unite the moſt diſtant nations, as well as to improve them; and how naturally their mutual intereſt leads them to endeavour to become ſerviceable to one another.

CHAP. VI. I next endeavour to ſhow the effects of trade upon thoſe nations who are paſſive in the operation. Here I take an opportunity of bringing in a connexion between the principles of trade, and thoſe of agriculture, and I ſhow on what occaſions paſſive trade may tend to advance the cultivation of lands, and when it cannot. Upon this, I build a principle, that when paſſive trade implies an augmentation of the domeſtic conſumption of ſubſiſtence, in order to carry it on, then will agriculture be advanced by it, and not otherwiſe; and as the firſt is commonly the caſe, from this I conclude, that

trade naturally has the effect of increaſing the numbers of mankind in every country where it is eſtabliſhed. I next trace the conſequences of a growing taſte for ſuperfluity, among nations living in ſimplicity; and I ſhow how naturally it tends to promote induſtry among the lower claſſes, providing they be free; or to make them more laborious, ſuppoſing them to be ſlaves: from which I conclude, that where the advancement of refinement requires the head, that is, the ingenuity and invention of man, thoſe who are free have the advantage; and where it requires hands, that is to ſay labor, that the advantage is on the ſide of the ſlaves: ſlavery, for example, might have made Holland; but liberty alone could have made the Dutch.

CHAP. VII. Having given a rough idea of trade in general, I come to a more accurate examination of the principles which a ſtateſman muſt keep in view, in order to carry it to perfection, by rendering it a means of promoting eaſe and affluence at home, as well as power and ſuperiority abroad. As a private perſon becomes eaſy in his circumſtances in proportion to his induſtry, and ſo riſes above the level of his fellows, in like manner, does an induſtrious nation become wealthy, and acquires a ſuperiority over all her leſs induſtrious neighbours.

The principle which ſet trade on foot we have ſhown to be *demand*, what ſupports it and carries it to its perfection is *competition*. Theſe terms are often confounded, or at leaſt ſo blended together as to produce ideas incorrect, dark, and often con-

tradictory: for this reaſon I have judged an analyſis of them neceſſary, comparing them together, and pointing out their relations, differences, and coincidences.

Demand and *competition* are both relative to buying and ſelling; but *demand* can only be applied to *buying*, and *competition* may be applied to *either*.

Demand marks an inclination to have, *competition* an emulation to obtain a preference.

Demand can exiſt without *competition*, but *competition* muſt conſtantly imply *demand*.

Demand is called ſimple, when there appears only one intereſt on the ſide of the buyers.

Competition is called *ſimple*, when it takes place on one ſide of the contract only, or when the emulation is at leaſt much ſtronger on one ſide than on the other.

Demand is called *compound*, when more intereſts than one are found among thoſe who deſire to buy.

Competition is called *compound*, when an emulation is found to prevail on both ſides of the contract at once.

Simple competition raiſes prices; *double competition* reſtrains them to the adequate value of the merchandize.

While *double competition* prevails, the balance of work and demand ſtands even, under a gentle vibration; *ſimple competition* deſtroys and overturns it.

The objects of *competition* frequently determine its force. Merchants buy in order to ſell; conſequently, their *competition* is in proportion to their

views of profit. Hungry people buy to eat; and their *competition* is in proportion to their funds. The luxurious buy to gratify their defires, their *competition* is in proportion to thefe. Strong *competition* on one fide, makes it diminifh on the other; and when it becomes fo ftrong as effectually to unite the intereſts on one fide of the contract, then it becomes abſolutely *fimple;* this totally overturns the balance, and muſt in a ſhort time deſtroy the divided intereſt.

CHAP. VIII. I next examine the relative terms of *expenſe*, *profit* and *loſs*. The relations they bear, are often not expreſſed, which involves thoſe who uſe them in ambiguities proper to be avoided. I therefore call expenſe *national*, when the national ſtock is diminiſhed by it, in favor of other ſtates; it is *public*, when the money proceeding from a national contribution is expended by the ſtate within the country; and *private expenſe* is the laying out of money belonging to private people or private intereſts: this has no other effect than to promote domeſtic circulation. I farther diſtinguiſh between what we call *ſpending*, and what is called *advancing of money;* the firſt marks an intention to conſume; the ſecond marks a view to a ſubſequent alienation.

Profit is either *poſitive*, *relative*, or *compound.*

Poſitive, when ſome body gains and no body loſes; *relative*, when ſome body gains exactly what is loſt by another; and *compound*, when the gain of one implies a loſs to another, but not equal to the full

value of the gain. The ſame diſtinction may be applied to loſs.

CHAP. IX. Having laid down the fundamental principles which influence the operations of trade and induſtry, I take a view of their political conſequences, and of the effects reſulting to a ſtate, which has begun to ſubject her political economy to the intereſts of commerce; and ſuch a ſtate I call a *trading nation.*

The firſt conſequence is an augmentation of demand for the work of the people; becauſe they begin now to ſupply ſtrangers. If this augmentation is ſudden, it will *raiſe* demand; if it be gradual, it will *increaſe* it. If prices riſe upon one extenſive branch of induſtry, they muſt riſe upon all; becauſe a competition for hands muſt take place: the farmer looks out for ſervants, and muſt diſpute them with the loom; and the firſt muſt draw back his additional expenſe upon the ſale of his articles of the firſt neceſſity. Upon this revolution, wo to thoſe who cannot increaſe their fund of ſubſiſtence in proportion to the augmentation of their expenſe! Nothing is ſo agreeable as the gradual riſe of profits upon induſtry, and nothing ſo melancholy as the ſtop, which is the neceſſary conſequence of all augmentations. When prices riſe high, the market is deſerted, and other nations profit of this circumſtance to obtain a preference. From hence I conclude, that the *riſe* of demand is the forerunner of decay in trade; and the *augmentation* of it, the true foundation of laſting opulence. But as an augmentation of ſupply may imply an

augmentation of inhabitants, the ſtatesman muſt conſtantly keep ſubſiſtence in an eaſy proportion to the demand for it: on this the whole depends. Plentiful ſubſiſtence is the infallible means of keeping prices low; and ſudden and violent revolutions in the value of it, muſt ruin induſtry, in ſpite of a combination of every other favorable circumſtance. The reaſon is plain: that article alone, comprehends two thirds of the whole expenſe of all the lower claſſes, and their gains muſt be in proportion to their expenſe; but as the gains of thoſe who work for exportation are fixed, in a trading nation, by the effects of foreign competition, if their ſubſiſtence is not kept at an equal ſtandard, they muſt live precariouſly, or in a perpetual viciſſitude between plenty and want. From this may be gathered the infinite importance of diſtinguiſhing, in every trading nation, where the prices of ſubſiſtence are liable to great and ſudden variations, theſe who ſupply ſtrangers from thoſe who ſupply their countrymen. As alſo the inconceivable advantage which would reſult from ſuch a police upon grain, as might keep the price of it within determined limits.

CHAP. X. This doctrine leads me naturally to conſider the proportions between *demand* and *ſupply*, and for the better conveying my ideas, I have conſidered them as two quantities ſuſpended in the ſcales of a political balance, which I call that *of work and demand*; preferring the word *work* to that of *ſupply*, becauſe it is the intereſts of the workmen which chiefly come under our conſideration.

When the *work* is proportioned to the *demand*, the balance vibrates under the influence of double competition; trade and induſtry flouriſh: but as the operation of natural cauſes muſt deſtroy this equilibrium, the hand of a ſtateſman becomes conſtantly neceſſary to preſerve it.

After repreſenting the different ways in which the balance comes to be ſubverted (by the *poſitive* or *relative* preponderancy of either ſcale) I point out the conſequences of this neglect in the ſtateſman's adminiſtration. If the ſcale of *work* ſhould preponderate, that is, if there be more work than demand, either the workmen enter into a hurtful competition, which reduces their profit below the proper ſtandard and makes them ſtarve; or a part of the goods lie upon their hands, to the diſcouragement of induſtry. If the ſcale of demand ſhould preponderate, then either prices will riſe and profits conſolidate, which prepares the way for eſtabliſhing foreign rivalſhip, or the demand will immediately ceaſe, which marks a check given to the growth of induſtry.

Every ſubverſion, therefore, of this balance, implies one of four inconveniencies, either the induſtrious ſtarve one another; or a part of their work provided lies upon hand; or their profits riſe and conſolidate; or a part of the demand made, is not anſwered by them. Theſe I call the immediate effects of the ſubverſion of this balance. I next point out the farther conſequences which they draw along with them, when the ſtateſman is not on his guard to prevent them.

A ſtateſman muſt be conſtantly attentive, and ſo ſoon as he perceives a too frequent tendency in any one of the ſcales to preponderate, he ought gently to load the oppoſite ſcale, but never except in caſes of the greateſt neceſſity, take any thing out of the heavy one. Thus when the ſcale of demand is found to preponderate, he ought to give encouragement to the eſtabliſhment of new undertakings, for augmenting the ſupply, and for preſerving prices at their former ſtandard: when the ſcale of work is on the preponderating hand, then every expedient for increaſing exportation muſt be employed, in order to prevent profits from falling below the price of ſubſiſtence.

CHAP. XI. I next examine how this equal balance comes at laſt to be deſtroyed.

1mo. The conſtant increaſe of work implies an augmentation of numbers, and conſequently of food; but the quantity of food depends on the extent and fertility of the ſoil: ſo ſoon therefore as the ſoil refuſes to give more food, it muſt be ſought for from abroad, and when the expenſe of procuring it riſes above a certain ſtandard, ſubſiſtence becomes dear; this raiſes the prices, the market is deſerted, and the ſcale of work is made to preponderate, until the induſtrious enter into a hurtful competition and ſtarve one another: here the application of public money becomes neceſſary.

2do. When an idle people, abundantly fed, betake themſelves to induſtry, they can afford, for a while, manufactures at the cheapeſt rate: becauſe they do not *live* by their induſtry, but *amuſe them-*

ſelves with it. Hence the cheapneſs of all ſorts of country work, in former times, and of Nuns work in thoſe we live in. But when the lands become purged of ſuperfluous mouths, and when thoſe purged off come to be obliged to live by their induſtry alone, then prices riſe, and the market is deſerted.

3*tio*. When a ſtateſman imprudently impoſes taxes, in ſuch a way as to oblige ſtrangers to refund that part paid by the induſtrious who ſupply them; this alſo raiſes prices, and the market is deſerted. Thus the operation of natural cauſes muſt bring every augmentation to a ſtop, unleſs the hand of a ſtateſman be employed to check their immediate bad effects. When ſubſiſtence becomes ſcarce, and the improvement of lands too expenſive, he muſt make the public contribute towards the improvement of the ſoil: when the price of ſubſiſtence ſtill riſes, from farther augmentations, he muſt keep it down with public money: and when this operation becomes too extenſive, he muſt content himſelf with effectuating a diminution of price upon that part of ſubſiſtence which is conſumed by thoſe who ſupply foreign markets.

CHAP. XIII. Domeſtic vices alone are not ſufficient to undo a trading nation; ſhe muſt have rivals who are able to profit of them.

While her balance of *work* and *demand* is made to vibrate by alternate *augmentations*, ſhe marches on triumphant, and has nothing to fear: when theſe come to a ſtop, ſhe muſt learn how to ſtand ſtill, by the help of alternate *augmentations* and

diminutions, until the abuſes in other nations ſhall enable her again to vibrate by *augmentations*. But ſo ſoon as a preponderancy of the ſcale of work is rectified, by retrenching the number of the induſtrious, and that the vibrations of the balance are carried on by alternate *diminutions*, in favor of ſupporting high profits upon induſtry, then all goes to wreck, and foreign nations, in ſpite of every diſadvantage attending new undertakings, eſtabliſh a ſucceſsful rivalſhip: they take the bread out of the mouths of thoſe who formerly ſerved them; and profiting of the advantages formerly enjoyed by the traders, they make their own balance vibrate by augmentations, which ſink the trade of the others by ſlow degrees, until it becomes extinct.

CHAP. XIII. The rivalſhip between nations, leads me to inquire how far the form of their government may be favorable or unfavorable to the competition between them. Here I am led into a digreſſion concerning the origin of power and ſubordination among men, ſo far as it is rational and conſiſtent with natural equity; and I conclude, that all *ſubordination* between man and man, in whatever relation they ſtand to one another, ought to be in proportion to their *mutual dependence*. The degrees of which are as various as the ſhades of a color. I divide them however into four. 1. That of ſlaves upon their maſters. 2. That of children upon their parents. 3. That of laborers upon the proprietors of lands. 4. That of the free hands, employed in trades and manufactures, upon their cuſtomers. And aſcending a moment beyond my ſphere, I ſay, that

the ſubordination of ſubjects to their ſovereigns, in all free governments, extends no farther than to a punctual obedience to the laws. I then proceed to an examination of former principles, and from a confrontation of the politics of our anceſtors with the modern ſyſtem, I conclude, that the great political impediment to the progreſs of trade and induſtry, proceeds more from an arbitrary, irregular, and undetermined ſubordination between claſſes, and between individuals, than from differences in the regular and eſtabliſhed form of their government, legiſlation, and execution or adminiſtration of the ſupreme authority. While laws only govern, it is of the leſs importance who makes them, or who puts them in execution.

CHAP. XIV. In this chapter I endeavour to amuſe my reader with an application of our principles to the political economy of the Lacedemonian commonwealth, where I ſhow, that trade and induſtry are not eſſential to ſecurity and happineſs. By making an analyſis of Lycurgus's plan, I ſhow that its perfection was entirely owing to the ſimplicity of the inſtitution.

CHAP. XV. I come next to the application of general principles to particular modifications of trade.

The balance of work and demand promotes the *foreign* and *domeſtic* intereſts of a nation, equally. The *firſt*, by advancing her power and ſuperiority abroad; the *laſt*, by keeping every one employed and ſubſiſted at home. Theſe intereſts are influenced by principles entirely different; and this opens a new combination highly proper to be attended to.

In the firſt book, we conſidered the conſumers and ſuppliers as members of the ſame ſociety, and as having their intereſts blended together; but the moment that a queſtion about foreign trade ariſes, they become entirely ſeparated. Every country appears to be put under the direction of a particular ſtateſman, and theſe muſt play againſt one another as if they were playing at cheſs. He who governs the conſumers, muſt uſe his utmoſt endeavours to teach his people how to ſupply themſelves. He who is at the head of the ſuppliers, muſt do what *he* can to render the efforts of the other ineffectual, by ſelling cheap, and by making it the immediate intereſt of the ſubjects of his rival to employ the ſuppliers preferably to his own countrymen. Here then are two plans, oppoſite and contrary, to be executed; and we endeavour to point out the principles which ought to influence the conduct of the reſpective undertakers, in every ſtage of their proſperity or decline. We lay down the methods of improving every favorable circumſtance, ſo as to advance the end propoſed, and ſhow how to ſeaſon every unavoidable inconvenience with the beſt palliatives, when a perfect remedy becomes impracticable.

CHAP. XVI. In this chapter I continue the thread of my reaſoning, in order to draw the attention of my readers to the difference between the principles of *foreign* and *domeſtic* commerce; and ſetting the latter a-part for a ſubſequent examination, I enter upon an inquiry into the difference between thoſe branches of foreign trade which make nations depend

on one another *neceſſarily*, and thoſe where the dependence is only *contingent*. The firſt may be reckoned upon, but the laſt being of a precarious nature, the preſervation of them ought to be the particular care of the ſtateſman.

The method to be followed for this purpoſe, is, to keep the price of every article of exportation at a ſtandard, proportioned to the poſſibility of furniſhing it; and never to allow it to riſe higher, let the foreign demand afford ever ſo favorable an opportunity. The danger to be avoided, is not the high profits, but the *conſolidation* of them; this conſideration, therefore, muſt direct the ſtateſman's conduct in this particular. On the other hand, he muſt take care that the great claſſes of the induſtrious, who ſupply foreign demand, and who, from political conſiderations, are reduced to the *minimum* of profits, be not by an accidental diminution of that foreign demand reduced below this neceſſary ſtandard: he therefore muſt ſupply the want of foreign demand, by procuring a ſale, in one way or other, for whatever part of this induſtry is found to lie upon hand; and if loſs be incurred in this operation, it is better that it ſhould fall on the whole community, who may be able to bear it, than on a ſingle claſs, who muſt be cruſhed under the burden.

CHAP. XVII. When manufacturers are found without employment, the firſt thing to be done is to inquire minutely into the cauſe of it. It may proceed from a riſe in the price of ſubſiſtence, from a diminution of demand from abroad, or from new

eſtabliſhments of manufactures at home; for each of which the proper remedy muſt be applied. The complaints of manufacturers are not the infallible ſign of a decaying trade: they complain moſt when their exorbitant profits are cut off. The complaints of the real ſufferers, thoſe who loſe *the neceſſary*, are feeble, and ſeldom extend farther than the ſphere of their own miſery. The true ſymptoms of a decaying trade, is to be ſought for in the manſions of the rich, where foreign conſumption makes its firſt appearance. A ſtateſman will judge of the decay of *that* trade *which ſupports and enriches the people*, more certainly from the *eaſe* of the induſtrious claſſes, than from their *diſtreſs*. Foreign nations will willingly give *bread* to thoſe who ſerve them, but very ſeldom *any thing more;* and from hence I conclude; that the more manufacturers are at their eaſe, the more a ſtateſman ought to be upon his guard to prevent this temporary advantage from bringing on both national poverty and private diſtreſs.

When home conſumption begins to be ſupplied from abroad, and when foreigners deſert the market, or refuſe our merchandize when we carry it to them, then we have an infallible proof of declining commerce; although the increaſe of home demand may immediately relieve every induſtrious perſon made idle, and even furniſh them with better employment than ever, in ſupplying the luxury of their countrymen.

A ſtateſman ought to be provided with remedies againſt every diſeaſe. When luxury is on the road of rooting out foreign trade, let him lie upon the catch

catch to pick up every workman made idle from the caprice of faſhions, in order to give him uſeful employment: he may ſet his own example in oppoſition to that of the more luxurious, and in proportion as he gains ground upon them, he muſt open every channel to carry off the manufactures of thoſe he has ſet to work for the re-eſtabliſhment of foreign trade. If, on the other hand, he himſelf be of a luxurious diſpoſition, and that he inclines to encourage it, he ought to take care that the example of diſſipation he gives, may not have the effect of diminiſhing the hands employed for ſupplying both home conſumption and foreign demand. This is accompliſhed by preſerving a plentiful ſubſiſtence in the country, and by keeping down the prices of every ſpecies of manufacture, by gradually augmenting the hands employed, in proportion to the augmentation of demand; thus his luxury will increaſe his numbers, without hurting his foreign trade: the great art, therefore, is to adapt adminiſtration to circumſtances, and to regulate it according to invariable principles.

CHAP. XVIII. But as a ſtateſman is not always the architect of that economy by which his people muſt be governed, he ſhould know how to remove inconveniencies as well as to prevent them; becauſe he is anſwerable, in a great meaſure, for the conſequences of the faults of thoſe who have gone before him. Thus when his predeceſſors have allowed the operation of natural cauſes to raiſe prices, and to deſtroy foreign trade, he muſt deſcend into the moſt minute analyſis of every circumſtance

relating to induſtry, in order to pluck up by the root the real cauſe of ſuch augmentations. Miſtaken remedies, applied in a diſeaſe not rightly underſtood, produce frequently the moſt fatal conſequences.

If a ſtateſman, for inſtance, ſhould apply the remedy againſt *conſolidated profits*, by multiplying the hands employed in a manufacture, at a time when high prices proceed only from the dearneſs of living, by this ſimple miſtake he will ruin all: thoſe who really gain no more than a phyſical neceſſary, will then enter into a hurtful competition, and ſtarve one another. But if inſtead of multiplying hands he augments ſubſiſtence, prices will fall; and then by keeping hands rightly proportioned to demand, they will naturally and gradually come down to the loweſt ſtandard; and exportation will go on proſperouſly.

I conſider *conſolidated profits*, and *high prices of ſubſiſtence*, as vices in a ſtate, within the compaſs of a ſtateſman's care to redreſs. But there is a third cauſe of high prices, (that is relatively high, when compared with thoſe in other countries) which will equally ruin foreign trade, in ſpite of all precautions.

This happens when other nations have learned to profit of their ſuperior natural advantages. I have ſhown how vices at home enable foreigners to become our rivals; but without this aſſiſtance, every nation well governed, will be able to profit of its own natural ſuperiority, in ſpite of the beſt management on the other ſide. The only remedy in ſuch a caſe, is, for the nation whoſe trade begins to

decline, in conſequence of the natural ſuperiority of other nations, to adhere cloſely to her *frugality*; to leave no ſtone unturned to inſpire a luxurious taſte in her rivals; and to wait with patience until the unwary beginners ſhall, from that cauſe, fall into the inconveniences of dear living, and conſolidated profits. Beſides this expedient, there are others which depend on a judicious application of public money: an irreſiſtible engine in trade, capable of ruining the commerce of any other nation, (not ſupporting it by ſimilar operations) and of carrying on exportation, in ſpite of great natural diſadvantages. But theſe principles are reſerved for the fifth book, when we come to treat of the application of taxes.

Having pointed out the methods of preſerving a foreign trade already eſtabliſhed, I next examine how thoſe nations which have been contributing inadvertently to the exaltation of others more induſtrious, by carrying on with them a trade hurtful to themſelves, may put a ſtop to the exhauſting of their own treaſures; may learn to ſupply themſelves with every thing neceſſary; and may be taught to profit of their own natural advantages, ſo as to become the rivals of thoſe who have perhaps reduced them to poverty; and even to recover, not only their former rank but to lay the foundation of a political economy capable of raiſing them to the level of the moſt flouriſhing ſtates.

I conclude my chapter, by calling for the attention of my reader to the wide difference there is between *theory*, where all the vices to be corrected appear clear and uncompounded; and *practice*, where they are often difficult to be diſcovered, and

ſo complicated with one another, that it is hardly poſſible to apply any remedy which will not be productive of very great inconveniencies. Were the remedies for abuſe as eaſily applied as theory ſeems to ſuggeſt, they would quickly be corrected every where.

Let theoriſts, therefore, beware of truſting to their ſcience, when in matters of adminiſtration, they either adviſe thoſe who are diſpoſed blindly to follow them; or when they undertake to meddle in it themſelves. An old practitioner feels difficulties which he cannot reduce to principles, nor render intelligible to every body; and the theoriſt who boldly undertakes to remedy every evil, and who foreſees none on the oppoſite ſide, will moſt probably miſcarry, and then give a very rational account for his ill ſucceſs. A good theoriſt, therefore, may be excellent in deliberation, but without a long and confirmed practice, he will ever make a blundering ſtateſman in practice.

Chap. XIX. Having treated of the fundamental principles of *trade* and *induſtry*; having explained the doctrine of *demand* and *competition*; the theory of *prices*, with the cauſes of their *riſe* and *fall*; the difference between *prime coſt* and *profits*; the *conſolidation* of theſe; and the effects of ſuch *conſolidation* in any branch of manufacture; I ſet my ſubject in a new light, and preſent it to my readers under a more extended view. Having, as I may ſay, ſtudied the map of every province, we are now to look at that of the whole country. Here the principal rivers and cities are marked; but all brooks, villages, &c. are ſuppreſſed. This is no

more than a ſhort recapitulation of what has been gone through already. Trade, conſidered in this view, divides itſelf into three diſtricts, or into three ſtages of life, as it were, *infancy*, *manhood*, and *old age*.

During the *infancy* of trade, the ſtateſman ſhould lay the foundation of *induſtry*. He ought to multiply wants, encourage the ſupply of them; in ſhort, purſue the principles of the firſt book, with this addition, that he muſt exclude all importation of foreign work. While luxury tends only to baniſh idleneſs, to give bread to thoſe who are in want, and to advance dexterity, it is productive of the beſt effects.

When a people have fairly taken a laborious turn, when ſloth is deſpiſed, and dexterity carried to perfection, then the ſtateſman muſt endeavour to remove the incumbrances which muſt have proceeded from the execution of the firſt part of his plan. The ſcaffolding muſt be taken away when the fabric is completed. Theſe incumbrances are high prices, at which he has been obliged to wink, while he was inſpiring a taſte for induſtry in the advancement of agriculture and of manufactures; but now that he intends to ſupply foreign markets, he muſt multiply hands; ſet them in competition; bring down the price both of ſubſiſtence and work; and when the luxury of his people render this difficult, he muſt attack the manners of the rich, and give a check to the domeſtic conſumption of ſuperfluity, in order to have the more hands for the ſupply of ſtrangers.

The laſt ſtage of trade is by far the moſt brilliant;

when, upon the extinction of foreign trade, the wealth acquired comes to circulate at home. The variety of new principles which arise upon this revolution, makes the subject of what remains to be examined in the succeeding chapters.

CHAP. XX. Before I enter upon the principles of inland commerce, I prepare the way, by a short dissertation upon the term luxury. I endeavour to analyze the word to the bottom, to discover, and to range in order, every idea which can be conveyed by it. In this way I vindicate the definition I have given of it (which is the consumption of superfluity) and show that luxury, as I recommend it, is free from the imputation either of being vicious or abusive.

I distinguish, therefore, between *luxury*, *sensuality*, and *excess*, three terms often confounded but conveying very different ideas. A person may consume great quantities of superfluity from a principle of ostentation, or even with a political view to encourage industry; him I call *luxurious*. *Sensuality* may be indulged in a cottage, as well as in a palace; and excess is purely relative to circumstances. *Luxury*, therefore, as well as *sensuality*, or any other passion, may be carried to *excess*, and so become vicious. Now *excess* in consumption is vicious in proportion as it affects our *moral*, *physical*, *domestic*, or *political* interests; that is to say, our *mind*, our *body*, our *private fortune*, or the *state*. When the consumption we make, does no harm in any of these respects, it may be called moderate and free from vice.

Our *moral* and *physical* interests are hurt by excess, in *eating*, *drinking*, *love*, and *ease*, or indolence;

according as theſe gratifications do reſpectively affect the *mind*, or the *body*, or both.

Our *domeſtic* intereſt frequently obliges us to call that *exceſs*, which nature hardly finds *ſufficient*; and, on other occaſions, both mind and body go to deſtruction, by *exceſſes* which have contributed to amaſs the greateſt fortunes.

The moſt direct *political* inconvenience of exceſſive luxury, is, the loſs of foreign trade. The more indirect follow as conſequences of thoſe already deſcribed; becauſe they may render thoſe employed in the ſervice of the ſtate, negligent and unfit, rapacious and corrupt, but theſe evils are more properly the *direct* effects of the imperfections of the mind, than conſequences reſulting *naturally* from exceſs in the conſumption of ſuperfluity. They ought, therefore, to be conſidered as ſecondary effects, ſince they may proceed from avarice as well as prodigality. The correcting of political vices reſembles the weeding a bed of tender flowers, the roots are all blended together, and the leaves are almoſt alike. It is proper, therefore, to have both the diſcernment and dexterity of a good gardener for ſuch an operation.

CHAP. XXI. From *luxury* I paſs to the *phyſical-neceſſary*, which I define from the conſumption implied by it: a man has his phyſical-neceſſary when *he is fed*, *clothed*, *and protected from harm*. But as theſe enjoyments, we find, do by no means ſatisfy his deſires, I am led to eſtabliſh another *neceſſary* which I call *political*. This I meaſure alſo by the conſumption implied by it, to wit, what which is ſuitable to the *rank* of the perſon.

Rank again is determined by the *common opinion of men*, and this *opinion* is founded upon circumſtances, which relate to the *birth*, *education*, or *habits* of the perſon. When common opinion has placed any one in a certain rank, he becomes entitled to enjoy certain articles of *phyſical-ſuperfluity*, which enter into the compoſition of his *political-neceſſary*: thus, ſuch as are raiſed above the level of the very loweſt claſs of inhabitants, are entitled to have a Sunday's dreſs; the farmer has a better coat than a laboring ſervant; the prieſt of the pariſh muſt have a gown; the magiſtrate of a little town muſt have ruffles, perhaps ſilk ſtockings; a provoſt a velvet coat, and a lord mayor a ſtate coach; theſe and ſuch like articles conſtitute what I call the *political-neceſſary*.

A man's rank ſometimes obliges him to certain articles of expenſe, which may poſſibly affect even his *phyſical-neceſſary*. How frequently do we ſee people cover their ſhoulders, at the expenſe of their belly. The competition between the deſires of our *mind*, and thoſe which proceed from our *animal economy* is ſo ſtrong, that it is frequently hard to determine, whether the incapacity to ſupply our *phyſical wants*, proceeds from our having too far gratified our other deſires, or from real poverty.

The loweſt claſſes of a people, in a country of trade, muſt be reſtrained to their phyſical-neceſſary; but this reſtraint muſt be brought about, not by *oppreſſion*, but by the effects of *competition* alone. While this is ſupported among people of the ſame claſs, it has the effect to reduce them all to the *phyſical-neceſſary*, and when it reduces them lower

it is a vice, and ought to be checked. A peculiar ingenuity in ſome workmen of the ſame claſs, will raiſe them above this level; and the more they can raiſe themſelves above competition, the greater will their gains be. By becoming maſters in any art, they ſhare the profits of thoſe whom they employ; and thus riſe in rank and fortune, provided their frugality concur with every other natural or acquired advantage. It is therefore a principle, *to encourage competition univerſally, until it has had the effect to reduce people of induſtry to the phyſical-neceſſary, and to prevent it ever from bringing them lower:* from this reſults the neceſſity of applying every expedient for relieving certain claſſes of the load of their children, if you incline they ſhould breed; and of preventing taxes and other burdens from affecting them unequally.

CHAP. XXII. I now come to treat directly of inland commerce, as taking place upon the extinction of foreign trade, when all attempts to recover it are found to be vain. In ſuch a ſituation, a wealthy nation is not to conſider itſelf as undone: an able ſtateſman muſt know how to make his people happy in every ſituation. It is an univerſal principle of conduct, private and political, to look forward, and to improve the preſent from the experience of the paſt. One great inconvenience reſulting from a foreign trade *already loſt*, is, that there is no farther queſtion of making any new acquiſition of wealth, or of replacing one farthing of what at any time may be ſent out of the country. But the greateſt inconveniencies are felt in the loſing ſuch a trade: theſe are number-

leſs, when an able ſtateſman is not at hand to prevent them.

That I may point them out in order, I make a ſhort recapitulation of our principles: the ſlighteſt hint is ſufficient to ſhow their force; and when my reader is ſenſible of a repetition, which he finds ſuperfluous, let him reflect that this very circumſtance is a proof of their exactneſs. In this ſcience we muſt uſe our principles as a carpenter uſes his foot-rule; there is nothing new to him in this inſtrument; but ſtill he muſt have it in his hand, to be able to know any thing, with accuracy, concerning his work.

In this chapter I throw in a ſhort diſſertation upon the difference between ancient and modern luxury. Their natures and effects are briefly inſiſted on. I point out the reſemblance between the luxury of modern times, and that of the few great trading cities of antiquity; ſuch as Tyre and Carthage; and I ſhow in what reſpect it differed from that luxury which proved the downfal of the empires of Aſia and Rome.

When empires were once formed, they were ruined by luxury and preſerved by means of their wars: becauſe theſe made their wealth circulate.

When the trading ſtates took a military turn, and became ambitious of conqueſt, their ruin ſoon followed: becauſe war deſtroyed the induſtry which made their greatneſs.

The cauſe of difference I find to proceed from this; that in the *monarchy*, the riches from which the luxury ſprung was the effect of rapine; in the *other*, the effect of induſtry. The firſt gave no

equivalent for their wealth; the others did. Where no equivalent is given in the acquiſition, all proportion is loſt in the diſſipation. The luxury of the robbers, was monſtrous and violent: that of the merchants, ſyſtematical and proportional. The luxury of the monarchies brought on neglect in public affairs: in the cities, it was this neglect which deſtroyed their luxury. The luxury of the monarchies had nothing to recommend it, but the gratification of the paſſions: the luxury of the others produced no harm, but from this very circumſtance. From the contraſt I have drawn, I eſtabliſh the difference between ancient and modern luxury. The firſt was violent; the laſt is ſyſtematical, and can be ſupported by induſtry and liberty only. A farther conſequence is, that as rapine is incompatible with induſtry, ſo is arbitrary power: conſequently, thoſe abſolute princes who eſtabliſh induſtry in their country, in order to taſte of the ſweets of luxury and wealth, put inſenſibly a bridle in the mouths of their ſucceſſors, who muſt, from this conſideration alone, ſubmit their government to a regular ſyſtem of laws and political economy.

This is a better ſcheme for limiting the arbitrary power of Princes than all the rebellions that ever were contrived. Confuſion eſtabliſhes arbitrary power, and order deſtroys it.

CHAP. XXIII. When a nation, which has long dealt and enriched herſelf by a reciprocal commerce in manufactures with other nations, finds the balance of trade turn againſt her, it is her intereſt to put a total ſtop to it, and to remain as ſhe is, rather than to perſiſt habitually in a practice, which, by a

change of circumſtances, muſt have effects very oppoſite to thoſe advantages which it produced formerly. Such a ſtop may be brought about by the means of duties and prohibitions, which a ſtateſman can lay on importations, ſo ſoon as he perceives that they begin to preponderate with reſpect to the *exportations* of his own country.

I illuſtrate this principle by an examination of thoſe which influence the eſtabliſhment of incorporated cities and boroughs. I ſhow how theſe may be conſidered as ſo many ſtates, which domeſtic luxury, taxes, and the high price of living, have put out of a capacity to ſupport a competition with ſtrangers (that is with the open country) which here repreſents the reſt of the world. I ſhow the reaſonableneſs of ſuch excluſive privileges, in favor of thoſe who ſhare the burdens peculiar to the community, in ſo far only as regards the ſupply of their own conſumption; and I point out, by what methods any diſcouragements to induſtry may be prevented, as often as that induſtry has for its object the ſupplying the wants of thoſe who are not included in the corporation.

From the long and conſtant practice of raiſing *taxes* within incorporated cities, I conclude, that *taxes* are a very natural conſequence of luxury, and of the loſs of foreign trade; and as Princes have taken the hint from the cities, to extend them univerſally, it is no wonder to ſee foreign trade put an end to, in conſequence of ſuch injudicious extenſions.

Chap. XXIV. I next proceed to the methods proper to be uſed, in the delicate operation of ſo

great a revolution as that of degrading a people from their right of being conſidered as a trading nation.

If a ſtateſman keeps a watchful eye over every article of importation; and examines minutely, the uſe every article imported is put to; he will eaſily diſcern, when it is proper to encourage, when to reſtrain, and when to prohibit.

In this examination, however, every relation muſt be taken in: becauſe the importation of a foreign commodity affects many different intereſts, ſome within, ſome without the nation; ſome directly, others only conſequentially. Nothing is ſo complex as the intereſts of trade. The importation of a commodity may firſt advance the intereſts of thoſe at home, who furniſh the commodities exported, of which the importation is the return. The importation may be uſeful for the advancement of manufactures, providing it conſiſt in matter fit for them; yet if the whole manufacture produced from it be for home-conſumption, the national intereſt will, on the whole, be hurt by the importation. The importation of wines and brandies is a great ſaving upon ſubſiſtence, in northern countries, where liquors diſtilled from grain are made to ſupply the place of them. Theſe and many other relations muſt be examined, before a ſtateſman can paſs ſentence upon an article of impoſtation. The inquiry made, and accounts balanced on both ſides, every hurtful article of importation ſhould be cut off; and when this is done, if the conſequence ſhould prove a general ſtop to exportation, then is foreign trade decently interred, without any violent revolution; becauſe the ſtateſman is ſuppoſed

to have proceeded gradually, and to have been all the while laboring to increaſe conſumption at home, in proportion as the induſtrious have been forced to lie idle by the other operations.

When foreign trade is at an end, the number of inhabitants muſt be reduced to the proportion of home-ſubſiſtence, in caſe their former proſperity had carried them beyond it. The nation's wealth muſt be kept entire, and made to circulate, ſo as to provide ſubſiſtence and employment for every body.

Chap. XXV. Let a nation be reduced ever ſo low in point of foreign commerce, ſhe will always find a demand from abroad for the ſuperfluities of her natural productions; which, if rightly conducted, will prove a means of advancing her national wealth.

If the exportation of ſubſiſtence ſhould go forward, while many are found in want at home, a reſtraint laid upon exportation will not redreſs the inconvenience; becauſe the wretched will ſtill remain ſo, unleſs they are aſſiſted and put in a capacity to diſpute the ſubſiſtence of their own country with foreign nations. The principal cauſe of this phenomenon is the preponderancy of the ſcale of work at home. When home demand does not fill up the void, of which we have ſpoken, a vicious competition takes place among thoſe who work for a phyſical-neceſſary; the price of their labor falls below the general ſtandard of ſubſiſtence *abroad*; their portion is exported, and they are forced to ſtarve.

A ſtateſman, therefore, at the head of a luxurious people, muſt endeavour to keep his balance even; and if a ſubverſion is neceſſary, it is far better it

ſhould happen by the preponderancy of the ſcale of demand. Here is my reaſon for preferring this alternative.

All ſubverſions are bad, and are attended with bad conſequences. If the ſcale of work preponderates, the induſtrious will ſtarve, their ſubſiſtence will be exported; the nation gains by the balance; but appears in a manner to ſell her inhabitants. If the ſcale of demand preponderates, luxury muſt increaſe, but the poor are fed at the expenſe of the rich, and the national ſtock of wealth ſtands as it was. Upon the ceſſation, therefore, of foreign trade, you muſt either loſe your people, or encourage luxury.

The ſtateſman having regulated the concerns of his outward commerce, muſt apply more cloſely than ever to his domeſtic concerns. I reduce the principal objects of his attention to three. 1. To regulate the progreſs of luxury according to the hands ready to ſupply the demand for it. 2. To circumſcribe the bounds of it, that is, the multiplication of his people, to the proportion of the extent and fertility of the ſoil And in the laſt place, to diſtribute his people into claſſes, according as circumſtances (of which he is not maſter) may demand.

Here I point out the reaſons why the progreſs of luxury does leſs hurt to a great kingdom than to a ſmall ſtate. Why ſumptuary laws are good in an imperial town of Germany, and why they would be hurtful in London or Paris. Why the eſtabliſhment of a ſtanding army, *in a country fully peopled* and rich, ſhould be accompanied with endeavours to diminiſh luxury, in order to prevent too great a preponderancy of the ſcale of demand, and the

riſing of prices, which would cut off the hopes of recovering a foreign trade.

Having briefly gone through the objects of the ſtateſman's concern, I come to examine the natural conſequences of this revolution upon the ſpirit, government, and manners of a people who from induſtrious and frugal are become luxurious and polite.

The traders withdraw their ſtocks as trade decays, and lend it out at home to landed men, who thereby are enabled to become luxurious. This indemnifies the induſtrious for the loſs of foreign demand. When the money, formerly employed in order to gain more, begins to circulate at home, for providing ſuperfluities, and augmenting domeſtic conſumption, the country appears daily to be growing more opulent; tradeſmen and manufacturers, who were formerly confined to a phyſical neceſſary, are now eaſy in their circumſtances; they increaſe their conſumption; this accelerates circulation; an air of plenty and eaſe ſpreads over the face of the country; and the very conſequences of their decline, are conſtrued as invincible proofs of their growing proſperity.

Riches may be conſidered by a ſtateſman in three different lights; as a mine when they are locked up; as an object of trade when they are employed in order to gain more; or as an object of luxury, and fund for taxation, when they are ſpent in the gratification of our political wants.

The general caſt of mind and diſpoſition of the inhabitants of every country (in ſo far as regards money)

money) may, I think, be reduced to one or other of theſe three modifications. It is the buſineſs of a ſtateſman to work upon the ſpirit of his people, ſo as to model their taſte of expenſe by inſenſible degrees, and to bring it to be analogous to that principle which is moſt conducive to national proſperity. Hoarding in private people, can hardly ever be advantageous to a ſtate; when the ſtate hoards, the caſe is very different, as ſhall he ſhown. While money is employed to gain more, it never can procure to the proprietor, either power or authority; but when, in the laſt caſe, it is employed for the gratification of our deſires, in the hands of the ambitious, it acquires power; conſequently, may rival that influence which no perſon ought to enjoy, but he who is at the head of the ſtate. This is the mother of faction, and the root from which all hurtful parties ſpring. It is by ſuch means that governments (be they good or bad) are brought into anarchy. Private wealth corrupted, and at laſt deſtroyed the excellence of the Roman commonwealth: and private wealth alone eſtabliſhed the liberty of Holland upon the ruins of Spaniſh tyranny. So ſoon therefore as the inhabitants of a country begin to employ their riches to gratify their inclinations, at the ſame time ſhould a ſtateſman begin to make himſelf rich, in order to preſerve that ſuperiority which is eſſential to *him* who ſits at the head of every principle of action. And whenever this lies beyond his reach, the power he had will ſoon diſappear; and the government will take a new form.

A ſtateſman acquires wealth by impoſing taxes

upon his people: rapine is the tax of the deſpote; capitation, land tax, and others which affect perſons, are thoſe of the monarch; exciſes upon conſumption are impoſed by limited governments The firſt lay all flat, the ſecond affect growing wealth, the laſt accelerate diſſipation. I conclude my chapter with ſome little hiſtorical illuſtrations concerning the power and influence of great men in a ſtate, under different circumſtances.

CHAP. XXVI. I next conſider the nature of what I call the *balance of wealth*. The more circulation there is in a country, the more this object becomes important. While the greateſt part of a nation's coin was locked up; or while it circulated by rapine and extortion, the effects diſcovered in modern times, where it circulates by induſtry, and as an adequate equivalent for ſervices, were hardly perceived.

The ſpecie, or circulating coin of a country, muſt be conſidered as a part of the national patrimony. This is conſtantly changing hands in a country of induſtry, and he who is proprietor of any part of it, is in ſo far a proprietor of the public ſtock

With this ſpecies of property, every other may be acquired. When it is given as the price of land, ſuch an exchange produces no alteration in the reſpective ſituation of the parties. An eſtate in land is neither better or worſe than another in coin of the ſame value. If I purchaſe an annuity, or pay off my debts with the coin I have in my pocket, neither I or the perſon with whom I tranſact, make any change of ſituation in point of wealth.

But if I lay out my coin for conſumable commodities for my own uſe, then ſo ſoon as any part of what I buy is conſumed, I become poorer: for this operation annihilates, in a manner, as to me, the coin I had. This I call a vibration in the balance of wealth; I grow poorer, and he who produced the conſumable commodity for my uſe, is ſo far richer: the balance, therefore, is turned againſt me, in his favor.

As many people, therefore, live by producing conſumable commodities, one uſe of coin is to render inconſumable, as it were, that part of them which is ſuperfluous to our own conſumption. By this operation the ſuperfluity paſſes into other hands who conſume it, and the coin which the induſtrious receive in return purchaſes a ſupply for all their wants, in proportion as they chuſe to relieve them.

The vibration of the balance of wealth, therefore, is no more than the changes which are daily taking place, as to the relative proportion of riches between the individuals of a ſtate: and as this vibration can only be produced when the coin any one poſſeſſes comes to diſappear, without his retaining the poſſeſſion of any real equivalent which he can alienate for the ſame value; it follows, that the balance is conſtantly turning in favor of thoſe who either ſell their effects, their ſervice, or their work; and this balance they retain, in proportion as their gains exceed their own conſumption. On the other hand, the balance is conſtantly turning againſt the idle conſumers; becauſe they are ſuppoſed to produce nothing; conſequently, the

whole of their conſumption goes in diminution of their wealth.

Hitherto the queſtion has only been about the balance of moveable wealth, that is coin; but the introduction of this, together with a taſte for ſuperfluity, has the effect of melting down *ſolid property* into what I call *ſymbolical money.*

When once this refinement upon the uſe of money takes place, we ſee houſes, lands, juriſdictions, provinces, principalities, crowns, ſceptres and empires, thrown into circulation by means of the ſymbolical money called bank notes, transfer in bank ſtock, accounts, bonds, mortgages, alienations of domain, mortgage of taxes, and ceſſions made in definitive treaties.

As frugality and induſtry are in our days capable of amaſſing the greateſt fortunes in ſolid property, ſo is diſſipation, by the means of ſymbolical money, as certain an expedient for the annihilation of them. From this I conclude, that diſſipation implies frugality, and frugality diſſipation. In every country of great circulation, they balance and deſtroy one another; and ſince there is no ſuch thing as equality of fortune to be preſerved without proſcribing alienation, that is circulation, the next beſt expedient for making people equal, I think, is to enrich them by turns.

I conclude my chapter by inquiring into the effects of national debts upon the vibration of this balance; and I conclude, from the principles laid down, that with reſpect to the collective intereſts of the ſtate, that is, between the ſtate itſelf, the creditors, and the people, there is no vibration of wealth produced by loans to the public. But that

according as the money borrowed is ſpent in the country or abroad, in ſo far the balance is either made to vibrate between individuals at home, or to turn againſt the ſtate in favor of foreign nations.

CHAP. XXVII. I next endeavour to ſhow how neceſſary a thing it is for a ſtateſman to acquire a thorough knowledge of the nature and effects of circulation. By this he is able to judge, when the coin *circulating* in the country is ſufficient for carrying on alienation; and when it is not, he is taught how to augment the quantity of it, either by drawing it from the repoſitories as oft as he finds the inhabitants diſpoſed to lock it up; or by ſubſtituting ſymbolical or paper money in place of it, when the metals are really wanting.

Here I obſerve, that the *circulating* or *current* money of any nation is conſtantly in proportion to the taſte of diſſipation in the rich, and application to induſtry in the poor.

When the diſſipation of the rich, tends to call off the induſtrious from ſupplying the branches of exportation, then the ſtateſman, in place of facilitating the melting down of ſolid property in favor of domeſtic circulation, by the eaſy introduction of ſymbolical money, ſhould render this operation more difficult, permitting the lands to be loaded by entails, ſubſtitutions, truſts, ſettlements, and other inventions which may hurt the credit of young people, ſuch as retarding the term of coming to full age, and others of a like nature.

On the other hand, while lands remain ill cultivated; while the numerous claſſes remain idle and poor; and while much money is found locked

up, the very oppoſite adminiſtration is expedient: Every method then muſt be employed to facilitate and eſtabliſh the credit of thoſe who have ſolid property; ſuch as the introduction of loans upon intereſt; the breaking entails upon eſtates; the facilitating the ſale of them, in favor of the liquidation of all claims competent to the induſtrious, againſt the proprietors, even declaring the cauſe of creditors the favorable ſide in all ambiguous law-ſuits; and, laſt of all, allowing arreſtment of the perſon for moveable debts, which is ſupporting the intereſt of creditors as far, I think, as is poſſible, in any free nation. Every regulation becomes, in ſhort, expedient, which can favor the induſtrious, accelerate circulation, and eſtabliſh a credit to every one in proportion to his worth.

The more money becomes neceſſary for carrying on conſumption, the more it is eaſy to levy taxes; the uſe of which is to advance the public good, by drawing from the rich, a fund ſufficient to employ both the *deſerving*, and the *poor*, in the ſervice of the ſtate; or to correct the bad conſequences of domeſtic luxury as to foreign trade, by providing a fund for the payment of bounties upon exportation.

In impoſing taxes, a ſtateſman ſhould attend to the nature of thoſe branches of circulation where the balance is made to vibrate, in order to diſtinguiſh them from thoſe where no vibration is implied. When a man buys an eſtate, it would be abſurd to make him pay a tax of *cent. per cent.* though you may ſafely make him pay at that rate, when he buys a pint of gin, or a pound of chocolate.

In taxes, again, upon conſumption, a particular attention is to be had, not to confound thoſe which are paid by people who conſume to gratify their deſires, with thoſe which are paid by ſuch as conſume in order to produce; that is to ſay, thoſe which affect the rich, with thoſe which affect the induſtrious.

Farther, a ſtateſman muſt ſee with perſpicuity how far the impoſition of taxes may influence the prices of exportable goods; and in ſo far as prices are influenced by them, they muſt be refunded with intereſt, and even when that is not ſufficient to ſupport the foreign competition, premiums or bounties are to be thrown in, at the expenſe of new impoſitions upon domeſtic conſumption.

As all augmentations muſt at laſt come to a ſtop, ſo muſt theſe expedients for the ſupport of foreign trade againſt the influence of domeſtic abuſe; but when trade comes to a ſtop, taxes may be increaſed; becauſe the conſiderations in favor of exportation are removed. The ſtateſman then muſt change his plan, and make uſe of the power and influence he acquires by an opulent exchequer, to root out the abuſes which have dried up the ſpring from which his country uſed to receive a continual augmentation of wealth.

I conclude my chapter with this reflection: That under a wiſe adminiſtration, every vice in a ſtate carries a proper antidote along with it.

If luxury extinguiſhes foreign trade it gives birth to taxation; and money in the hands of a good ſtateſman is an irreſiſtible engine for correcting every abuſe.

In treating of taxes, I frequently look no farther than my pen, when I raiſe my head and look about, I find the politics of my cloſet very different from thoſe of the century in which I live. I agree that the difference is ſtriking; but ſtill reaſon is reaſon, and there is no impoſſibility in the ſuppoſition of its becoming practice.

Chap. XXVIII. Prices imply alienation for money, and frequent and familiar alienations only can fix a ſtandard.

The prices of articles of the firſt neceſſity regulate, in a great meaſure, the price of every thing elſe. Now the frequent and familiar alienation of ſuch articles implies induſtry, and a numerous claſs of free hands; becauſe theſe only are the buyers. No alienation is implied in the conſumption of neceſſaries, by thoſe whoſe occupation it is to produce them for themſelves. Did every one, therefore, ſupply himſelf with neceſſaries, there would be no alienation of them; conſequently, no price fixed. From hence it follows, that the price of neceſſaries depends on the occupations of a people, and not on the quantity of their ſpecie.

The ſtandard price of *ſubſiſtence* is in the compound proportion of the number of thoſe who are obliged to buy, and of the demand found for their labor. Subſiſtence never can riſe above the level of the faculties of the numerous claſſes of a people; becauſe ſo ſoon as a price riſes above the faculties of the buyer, his demand is withdrawn; and when the demand of a numerous claſs is withdrawn, ſubſiſtence is found in too great plenty for the rich, to bear a high price.

The more equal, therefore, the faculties of the induſtrious populace of any country are, the leſs diſtreſs will follow upon ſcarcity, and thoſe only, whoſe means cannot reach that ſtandard price, run any riſk of ſtarving.

The faculties, therefore, of the *phyſical-neceſſarians* (as we have taken the liberty to call them) will, in countries of induſtry, determine the ſtandard value of ſubſiſtence; and the value, *in money*, which they receive for their work, will determine the ſtandard of thoſe faculties; conſequently, the price of ſubſiſtence muſt riſe and fall according to the number of workmen, and demand for their work: that is to ſay, the price of ſubſiſtence muſt be in the compound proportion above mentioned.

Here I am led into an examination of the opinion of Meſſrs. De Monteſquieu and Hume, who think that the price of every thing depends upon the *quantity of ſpecie* in the country, which they conſider as the repreſentation of *every thing vendible*; as if theſe two quantities, the *commodities*, and the *ſpecie*, were divided into aliquot parts, exactly proportioned to one another. I do my endeavour to inveſtigate the meaning of theſe propoſitions, in order to ſhow in what reſpect they lead to error, in place of throwing light upon an intricate queſtion: and then I propoſe another doctrine, which is, that nothing can determine the value of a vendible commodity, any where, *but the complicated operations of demand and competition*, which however frequently *influenced* by wealth, yet never can be *regulated* by it.

CHAP. XXIX. In this chapter I follow the ſuc-

ceſſion of Mr. Hume's ideas, in his political diſcourſes; and as he is led from his principles to believe, that there is no ſuch thing as a wrong balance of trade againſt a nation, but on the contrary thinks that the nature of money reſembles that of a fluid, which tends every where to a level: In purſuing the conſequences of our former reaſoning, I ſhow, that nothing is ſo eaſy, or more common than a right or a wrong balance of trade; and I obſerve, that what we mean by a balance, is not the bringing the fluid to a level, but either the accumulating or raiſing it in ſome countries, by the means of national induſtry and frugality, which is a right balance; or the depreſſing it in others, by national luxury and diſſipation, which is a wrong one. Thus the general doctrine of the *level* can only take place, on the ſuppoſition that all nations are equally frugal and induſtrious; or rather, that they have an equal mixture of theſe and their oppoſite qualities, together with a reciprocal trade entirely laid open. When the ideas of different people are fairly expoſed, every queſtion comes to be reſolved without diſputation: vices in reaſoning ſeldom take place but when terms are not rightly underſtood.

CHAP. XXX. As the intention of this inquiry is not to treat of population, agriculture, trade, induſtry, &c. as particular ſubjects, but as objects influencing the political economy of modern ſtates, my end is anſwered, ſo ſoon as I find the general principles relating to each ſufficiently deduced and ranged under general heads. The uſe, therefore, of a chapter of miſcellaneous queſtions and obſer-

vations, is to ſerve as an exerciſe on what is gone before; to introduce, without a direct connexion, queſtions analogous to the ſubject of the book, or to give a further extenſion to ſuch as I have treated, in the courſe of the chapters, with too much brevity.

In the firſt and ſecond queſtions, I endeavour to ſhow, that the quantity of coin in any country, is no ſufficient rule for judging of the ſtate of her foreign trade; becauſe money may be acquired and expended by operations nowiſe mercantile. A nation may borrow from foreigners more than the amount of the balance againſt her: ſhe may pay away, in ſubſidies, and foreign wars, ſums greatly beyond the value of a right balance on her trade. She may call in her ſpecie, and trade with it abroad, while paper is made to circulate in its place at home: or ſhe may lock it up in banks, where it never may appear. In ſhort, the riches of a trading nation may reſemble thoſe of a trading man; who may be immenſely rich, with very little ſpecie in his poſſeſſion.

On the other hand, the riches of a prodigal nation may reſemble thoſe of a prodigal man; who may be full of money, borrowed from all hands, upon the credit of a large fund of ſolid property.

The third queſtion concerns the effects of riches in thoſe countries where trade and induſtry are little known. Under ſuch circumſtances, coin muſt be locked up, or virtue will go to wreck. Why? Becauſe, if coin circulate where there is no induſtry, it muſt circulate for no adequate aquivalent in work or ſervice; that is, for the gratifi

cation of the paſſions, or in monſtrous prodigality. Experience demonſtrated the truth of this principle. While the Greek Monarchs of Aſia and Ægypt remained in poſſeſſion of their vaſt treaſures, virtue and ſimplicity ſtood their ground; when thoſe riches were thrown into circulation, under the firſt Roman Emperors, we ſee the horrible conſequences which enſued. What could produce ſuch monſters, except a taſte of diſſipation, without rational objects to diſcharge their wealth upon? All the money in the univerſe, thrown into the hands of an extravagant modern Prince, would not affect his morals; the taſte of luxury would ſoon diſcharge him of it; and the conſequence would be, to enrich thoſe who gratified his deſires, and that nearly in proportion to their ſervice. But in ancient times, the violence of government ſtopped the progreſs of induſtry: the conſequence of which was, that the few productions of it were ſold for the moſt exorbitant prices, and the wealth accumulated by private people commonly occaſioned their deſtruction; becauſe rapine was the only expedient Princes had fallen upon to draw back money into their coffers.

Comparing the ancient with our modern economy, I find both are curious and entertaining. A contraſt often makes us reflect upon circumſtances which otherwiſe might eſcape our obſervation.

In the fourth and fifth queſtions; I apply the principles we have laid down, in order to diſcover why the eſtabliſhment of trade and induſtry has naturally given riſe to an eſtabliſhed ſyſtem of taxation, and regula r ſtanding armies.

This leads me to compare circumſtances relative to the economy of Europe ſome centuries ago, when taxes were almoſt unknown, with the preſent times, when they are becoming daily more familiar; and I ſhow that they are, in a great part, paid in lieu of the perſonal ſervice to which the ſubjects were formerly bound, and by the means of which ſtates were ſupported; and if they are extended beyond this proportion, it is in conſequence of a new circulation opened between the ſtate and thoſe who ſerve it: ſo that the effect of taxes, ſpent within a country well governed, is to draw money gratuitouſly from thoſe who have a ſuperfluity of it, in order to beſtow it upon thoſe who are willing and capable to advance the ſervice of the ſtate; that is, in other words, to oblige private people to lay out their money for the ſervice of their country.

From the ſame principles, and from a very ſuccinct hiſtorical deduction of the facts relating to the ſtate of the militia of Europe, from the time of the Romans, I endeavour to ſhow, that ſtanding armies in our days are become neceſſary, while Princes have the rage of making war; becauſe, without keeping up ſuch bodies of men in time of peace, the call of the luxurious would provide employment for them, which they would not chuſe to quit, when the will of their ſovereign might command their attendance.

Theſe queſtions lead me to inquire into the method of eſtimating the relative power of different ſtates in making war.

Here I reduce power to the two principles of

men and money; the men at the command of a ſtate, are thoſe who have a poor and precarious living, or at leaſt a worſe condition than that which the ſtate can offer for their military ſervice; conſequently, the more a people are uſefully employed, the leſs they are calculated for filling armies. From hence it is that luxury is ſaid to render a nation effeminate: a true propoſition, when rightly underſtood, relatively to the induſtrious, not to the luxurious claſſes of the people.

The annual revenue of a ſtate is in proportion to the circulation; becauſe it is at the time of circulation only that national contributions can be levied with the feweſt inconveniencies. Money which does not circulate is of no uſe to the proprietors, and conſequently can be of no utility to the ſtate.

Credit is in proportion to the capacity of paying the intereſt of money borrowed.

Having abundantly inſiſted on the advantages of induſtry in providing for the poor, I now come to conſider its permanent effects, after the firſt end has been accompliſhed. If a thouſand pounds are beſtowed upon making a fire-work, a number of people are thereby employed, and gain a temporary livelihood. If the ſame ſum is beſtowed for making a canal for watering the fields of a province, a like number of people may reap the ſame benefit, and hitherto accounts ſtand even: but the fire-work played off, what remains, but the ſmoke and ſtink of the powder? Whereas the conſequence of the canal is a perpetual fertility to a formerly barren ſoil. Here I enter again into an examination

and confrontation of ancient and modern economy. I ſhow that the magnificence of the ancients had not the ſame tendency to deſtroy ſimplicity, as the luxury of modern times has; becauſe they owed their magnificence to the ſlavery of the inferior claſſes of people, who got no return for their labor farther than bare ſubſiſtence. Whereas modern magnificence depends upon induſtry; which draws after it ſuch a retribution in money, as ſoon enables thoſe who at firſt contributed to the luxury of others, to call for the like ſervices from an inferior claſs, who are entering on the courſe which the more wealthy abandon.

I conclude this chapter with an inquiry into the principles which ought to regulate the eſtabiſhment of trading companies. Thoſe principles relate to the *advantages* and *diſavantages* which ſeverally attend them. The principal advantage in common to all, proceeds from the union of private ſtocks; conſequently, the ſtateſman ought to protect companies ſo far only as this union promotes the end for which they were inſtituted: but whenever he finds that the ſtrength of united ſtocks is made uſe of to oppreſs the unincorporated induſtrious, he ought to take theſe under his protection, by providing an outlet for *their* induſtry, by which he will fruſtrate any attempt of turning that into a monopoly, which was intended only to extend trade and induſtry.

The ſecond advantage is peculiar to ſuch companies as trade to foreign parts under excluſive privileges. By theſe a ſtate reaps the benefit of keeping prices low in foreign markets; becauſe the

company is freed from the competition of their own countrymen. But the inconvenience reſulting in conſequence of this, is, that as the company *buys*, ſo they alſo *ſell* without competition. The method, therefore, of preventing the bad conſequence of this, is, for the ſtate conſtantly to be at the great expenſe of every ſuch ſettlement in favor of foreign trade; and to grant the excluſive privilege in favor of commerce in general, and not in the common way, as an indemnification to particular people for the expenſe of making the ſettlement, or from other political conſiderations. When an excluſive privilege is granted upon ſuch principles, the ſtate may retain a power of inſpection into all their affairs, and may open the doors of the company to new ſubſcribers, in proportion to the demand for the trade, in place of allowing the company to ſwell their ſtock with borrowed money. By ſuch means frauds are prevented; a foundation is laid for ſeveral mercantile operations, which advance the proſperity of the ſtate, without hurting the company; and jealouſy is taken away, by preventing the too cloſe connexion between the members of it, when few in number, from degenerating into an oppreſſive and ſcandalous monopoly.

END OF THE SECOND VOLUME.

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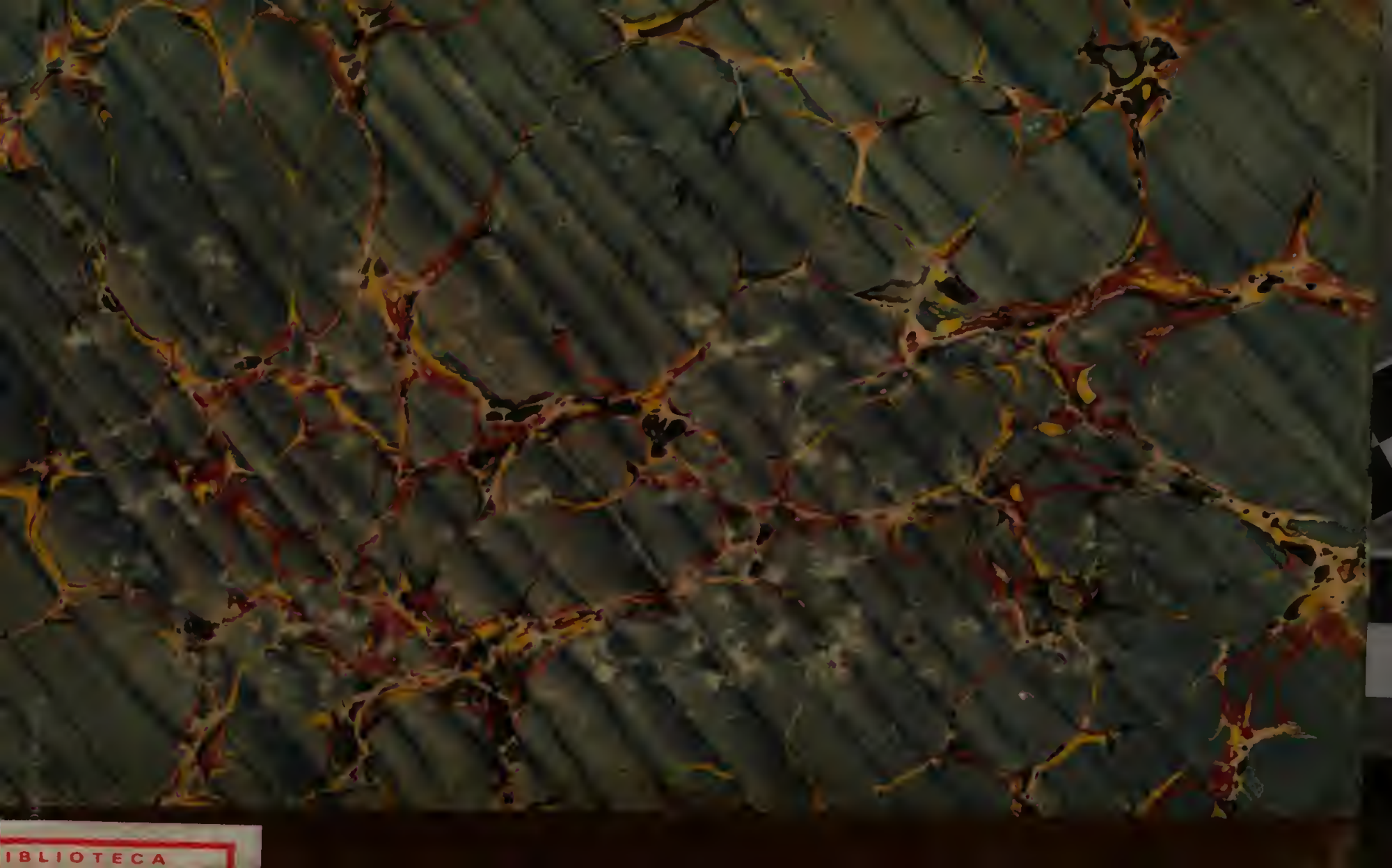
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